

The Branch Bank Issue Solution

Notable Convention of American Bankers Association at Chicago Finds Means of Reconciling All Groups on Perplexing Problem. President Coolidge Praises Soundness of Our Banks. Government Ownership Decried, Open Competition Urged.

A HAPPY solution of the branch banking issue was reached by the American Bankers Association during the fiftieth annual convention held in Chicago from September 29 to October 2. By a unanimous vote, the convention endorsed a legislative plan purposing to preserve the American independent bank system by confining branch banking to the cities where the practice is now in force, placing national banks more nearly on a parity with state-chartered institutions and erecting a barrier against the spread of branch banking to new territory.

The action stands out as the most notable achievement of a convention that was featured by a registration of 7038, a program rich in progressive banking thought and a significant harmony of opinion on the major economic issues.

A resolute stand was taken by the assembled bankers against the radical movement; attempts of the so-called progressives to undermine the Constitution by modifying the judicial powers of the Supreme Court were pointedly deprecated. Senator LaFollette, of Wisconsin, was appraised by one of the principal speakers as "the nation's greatest liability," and the convention declared that "a particularly large and dangerous element of economic fallacy has been injected into the present national political campaign," adding that "the common sense of the American people can be relied upon to demand the continuance of sound principles in the conduct of national affairs."

GOVERNMENT ownership, in all forms, was roundly deplored, and especial emphasis was laid upon the misfortune that would befall the country if the railroads were nationalized. "Let the railroads alone," was the burden of the resolution adopted, treating the transportation problem, the opinion being expressed that, if given time, the railroads would be able

to earn a reasonable return on the capital invested and provide revenue for the necessary betterments and extensions.

"A free play of private enterprise and private initiative under unhampered competitive conditions" was declared to be the ideal state for the conduct of business in America. Walter W. Head, the retiring president, in the opening address sounded this keynote when he appealed for the enthronement of the individual—rather than the government—as the mainspring of industrial achievement.

The soundness of the present financial structure was proclaimed, the convention asserting that "in no period since the war has greater progress to the return to normal business conditions been made in industry, commerce and finance during the past year." President Coolidge, in a message to the bankers, pointed out that "there are multiplied evidences of improving conditions throughout the business structure of the world," and said that "we have been able to place every reliance in the soundness of our banks, and their ability to adapt themselves to the most extraordinary requirements."

A note of warning with respect to the need for industrial readjustment was sounded. While observing that labor conditions had become more stabilized than they were, the belief was expressed that "in certain industries liquidation of wages, corresponding to that which has occurred in many lines, must take place before business is again on an even keel."

THE abiding interest of American bankers in America's basic industry—agriculture—was manifested in many ways during the convention. Decrying government paternalism or quack formulæ as the means of promoting the welfare of the farmer, the convention insisted that "the farmer, like any other business man, is dependent for his success and prosperity upon his

own abilities and efforts and on conditions in the markets in which he works."

How largely the prosperity of other business in America is controlled by the well-being of the farmer was vividly painted by Edwin T. Meredith, former Secretary of Agriculture under the Wilson administration. He rejected the McNary-Haugen bill, with its price fixing scheme, but declared that the government should devise some means by which the farmer would be able to know in advance of the harvest the price at which he might market his products.

The convention endorsed orderly marketing of crops and expressed the belief that properly organized and managed cooperative marketing associations would help the farmer. It was with pride that the Association pointed to the work of the agricultural commission in furthering the interests of diversified farming.

Credits available under the present system are "ample to meet the needs of the farmer," the Farm Finance Committee reported to the State Bank Division.

"To our mind it appears that any farmer who is entitled to credit can obtain it," the committee asserted, "and we certainly do not wish to urge upon the government any system of credits which would give an opportunity to any class of people to borrow money, who, by reason of their inability, would have no means to repay." The convention disavowed the widely spread statement that the Federal Reserve Board was responsible for having "deflated" the farmer by its "drastic deflation" policy.

The convention took action upon many matters of vital importance to the banking profession. A distinct achievement was an agreement that promises to solve the branch banking problem to the substantial satisfaction of all groups, which previously have been unable to reconcile their differences.

The convention pronounced the Federal Reserve Act basically sound and insisted that "when the time comes to amend and to develop the Federal Reserve System that this work be intrusted to its friends and not to its enemies" or intrusted to those who are "qualified experts" and not tinkering politicians. Reciting that the system had been compelled to expand its functions more rapidly than a conservative development might have warranted

on account of the war and that the Federal Reserve banks had been driven, in order to meet their expenses and dividend charges in normal times, to compete for business with their own member banks through their open market operations, the convention recommended that "a careful investigation

tion was passed urging the Treasury Department not to take away the note circulating privilege secured by government bonds. This action followed a thorough-going discussion of what the retirement of all the bonds, carrying the circulation privilege, would mean.

While it was admitted that the national bank note currency did not have the flexibility and elasticity of the Federal Reserve notes—and were not thus able to expand or contract to meet the needs of business and industry—the Division pointed out that the national bank notes constituted only about one-fifth of the currency outstanding and insisted that this constituted the "sound core" of our paper money. The withdrawal of this privilege would take away one of the most appealing features of membership in the national banking system, it was declared, and the Treasury was urged to continue the present system. In event the government elects to retire the bonds bearing this privilege, the national bankers ask that other securities to be issued may have the same privilege.

An appeal for action by Congress to do away with duplication in taxation through the levying of diverse and cumulative death taxes by the various states and Federal Government was made by the Trust Company Division at its annual session. Following a presentation of the question, which showed that the duplication of these taxes were effecting the practical confiscation of estates, the Division adopted a resolution, asking for a lowering of the excessively high estate tax rate, and urged a change in the system to do away with the duplication. The Division authorized the appointment of a committee to "make a thorough investigation of this entire situation and suggest a uniform method of taxation to be adopted by the separate states and by the Federal Government, eliminating all unjust, unfair and confiscatory provisions."

The general convention added the weight of its opinion to this movement to remedy conditions in estate tax legislation that "have become well-nigh intolerable." It deplored the mounting burdens of taxation and reaffirmed the hope that "government conditions may be established in Washington, which will make it possible to carry out further revision on the basis of a scientific taxation policy rather than of

Message from President Coolidge

YOU have been kind enough to ask me for a brief message to the American Bankers Association at the time of its forthcoming Annual Convention. I am glad to comply because of my strong feeling that the bankers of the country deserve a generous recognition of their services.

There will, I think, be general agreement that the attitude of the public toward the bankers, and likewise that of the bankers toward the public, have both become more sympathetic and appreciative in recent years. We may attribute this in no small measure to the extension of interest in economic and financial problems in recent years. It is in part a consequence of the increasing insistence of these problems, and in part, also, a result of the establishment of the Federal Reserve System.

Even so great a calamity as the war has had some good consequences, and among these we must include a greatly increased attention to matters that are fundamental to the life of the community. It is not so many years since banking was a good deal of a mystery, even to the majority of business men. Nowadays, thanks to the policy of leading banks in taking the public into their confidence and discussing their problems in simple and understandable fashion, the mystery has largely disappeared. In its place have come confidence and understanding, which make for the best interests of both the bank and its customers.

One incident to this new attitude is the general appreciation of the Federal Reserve System's usefulness. It has demonstrated itself as the stabilizing and unifying factor of our monetary and financial structure during a period which, without it, would certainly have been marked by distress and disasters. Instead of these, we have seen our monetary system accepted as the world's standard. We have been able to place every reliance in the soundness of our banks and their ability to adapt themselves to the most extraordinary requirements.

Our financial establishment assumes from year to year a constantly larger part and significance in the realm of international business and financing. This is an inevitable result of conditions which have placed in our hands so great a control over the world's reserves of credit and monetary capacity. Wielded with the same wisdom and care in the future as heretofore, these forces will contribute powerfully to the rehabilitation of money systems, of credit, and of business, throughout the world. They will do this, moreover, to the advantage both of our own country and of others.

I feel, therefore, that in extending my good wishes and confidence to the great banking interests of America, I am also expressing a generous and helpful purpose toward the concerns of sound business everywhere.

There are multiplied evidences of improving conditions throughout the business structures of the world. American leadership, faith and ready helpfulness have contributed largely to bringing about this improved outlook. So, it is fitting to extend congratulations to you American bankers upon your achievements of the past, and likewise upon the bright prospect that opens before you.

Very truly yours,

CALVIN COOLIDGE.

be made by those who are properly qualified to investigate whether it might not be wise to limit the Federal Reserve banks to their primary functions as banks of issue and rediscount."

In the Divisional meetings of the convention, the bankers directed their attention to questions of pertinent concern to their institutions.

In the National Bank Division, a resolu-

partisan strategy or of a class appeal."

While the Chicago convention concentrated on domestic issues, it did not overlook the possibility of the American dollar going abroad to assist in the stabilizing of the economic structure in foreign countries. With some pride, the convention pointed to the part that American influence played in evolving a formula for the solution of the reparations problem, and declared that "future progress will come only with a growing realization on the part of the public that financial questions to be settled permanently and in the right manner must be left largely to the financial experts of the world—to the bankers rather than to politicians and statesmen."

The hope was expressed that the United States Government would recognize the need for official participation in the international conferences which were meeting to determine the commercial complexion of the world for years to come. "It is necessary for the protection of our future markets and for the proper protection of our investors that our Government be in a position to make its influence felt to the fullest extent."

Dwight W. Morrow, of J. P. Morgan and Company was prevented from making an address before the convention by the untimely death of one of his closest business associates. It had been expected that he would allude to some feature of the prospective international loan to Germany. With reference to the approaching loan, the convention urged American financial interests to adopt a "favorable attitude toward such loans in view of the importance to the whole world of the reestablishment of active production and consumption in all countries which would be greatly stimulated by renewed prosperity in so important a nation as Germany."

Thomas B. McAdams, former president of the American Bankers Association, made a plea for American membership in the League of Nations, declaring that it was "an international clearing house of ideas and good will" and while the organization was at the present time largely a piece of "untried machinery" its failure in its infancy would mean a return to the old—and unsatisfactory—order. Observing that the United States unofficially had been able to render definite service in rehabilitation and reconstruction, Mr. McAdams said from a cold business standpoint our nation, with \$10,000,000,000 of past due and unfunded accounts receivable, should put its hand to the plow and so assist in stabilizing eco-

nomic conditions that we might anticipate ultimate payment of this debt.

George Woodruff, of Chicago, president of the National Bank of the Republic, stressed the necessity of the American financial interests accepting foreign securities in order that the nations abroad, heavily indebted to the United States, may pay their debts in American dollars. "Foreign purchasers can only repay us in gold, goods or securities," he observed. "They have almost no gold; we do not care for much of their goods in competition with our home markets, so we must accept their securities."

Two much-mooted banking questions—whether banks should introduce service charges on unprofitable checking accounts and the extent to which banks should loan

ing and labor costs, Frank J. Parsons, vice-president of the United States Mortgage & Trust Company, recommended. He stressed the fact that safety for the investor in mortgage loans was more dependent than any other single factor upon the integrity, knowledge and long experience of the issuing company. Referring to the operations of some of the new mortgage houses, Mr. Parsons recited that they had disregarded the fundamentals always considered essential to permanent safety. Loans running as high as 100 per cent to security, based on present prices, had been made and the "bonds" issued are in effect shares in the property. On a scale of falling prices and lowered rents, the nominal owners of these properties will find themselves merely

unpaid collection agents for the lender, he predicted.

While expressing the opinion that the savings banks might properly have \$10,000,000,000 out of their total assets of \$18,000,000,000 in first mortgages on real estate, Mr. Parsons informed the convention that the majority of economists were agreed that building costs and rentals are pointing downward, the degree depending on local conditions. The best guarantee from loss, both from the standpoint of the lender and of the investor, is the character and experience of the issuing house, conservative appraisals, a substantial equity in each individual property, careful

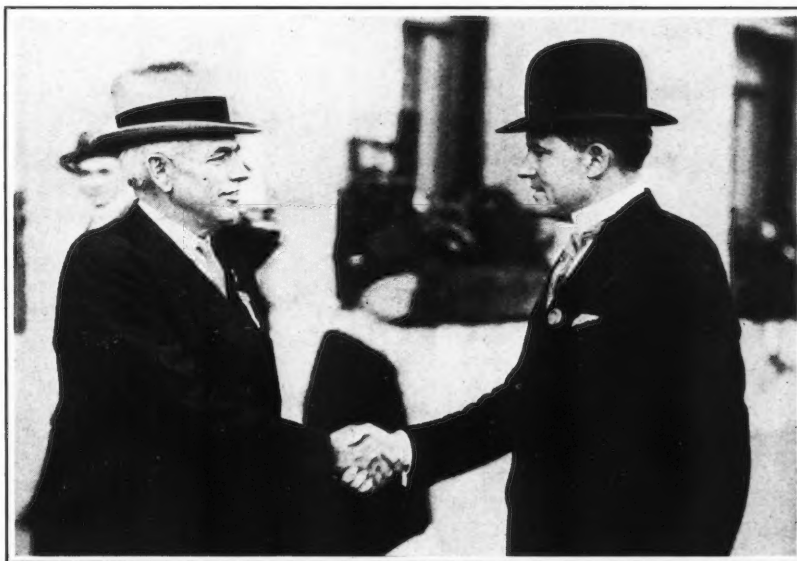
supervision and provision for continuous reduction of the loan, he said.

In the discussion that ensued before the Savings Bank Division, it appeared that the bankers felt the peak of the highest rents had been attained.

A campaign for the enlightenment of banks as to the costs at which they render services was foreshadowed at the convention. The Clearing House Section, it was disclosed, is preparing to pave the way for an intelligent appraisal of these costs through the preparation of a simple form of analysis of bank accounts. Banks will be shown not only just how much it costs them to render services, but will be informed how they can best approach the depositors in explaining the necessity for introducing service charges to make each account pay its own way.

The more technical phases of banking were kept in the background, the sessions dealing largely in fundamentals and indicating the general plan for dealing with the perplexing problems of moment.

The Chicago convention ran with unparalleled smoothness. The events moved



John D. Phillips (left), retiring President of the State Bank Division, exchanging congratulations with Walter W. Head (right), the retiring President of the American Bankers Association, over the convention having achieved a happy solution—acceptable to all groups—for the difficult branch banking problem.

out their funds on real estate mortgages—were discussed in Divisional conferences.

A division of opinion as to the advisability of charging the unprofitable account was readily apparent. In the smaller cities, it was the consensus of thought that the community service and advertising value of the small account offset the cost to the bank. In the larger cities, where the personal equation is less pronounced, there seemed to be a preponderance of opinion in favor of exacting a charge on the ground that a bank should not be called upon to render a service at an actual cost to itself. The size of the city, the discussion plainly revealed, is a large factor and while it was admitted that the introduction of a service charge generally drove out a large number of small checking accounts, the withdrawal freed the tellers' windows from congestion and permitted the banks to render a more prompt and efficient service to the depositors, whose accounts permitted the banks to make a profit.

Bankers should take a conservative position in loaning money on real estate mortgage loans, during the periods of high build-

off with clock-like precision. There was never a more hospitable group of hosts than the Chicago bankers, who made all arrangements with such forethought and skill that the convention—at work or play—that nothing was left to be desired. From the time that the delegates arrived until they paid a reluctant farewell to the Gateway to the West, with its impressive parks and broad boulevards, their every desire was gratified by the hosts.

The Association dispatched its internal business in an efficient manner. The officers, who will direct the affairs of the Association during the next year, were elected unanimously in all divisions and sections.

William E. Knox, president of the Bowery Savings Bank of New York City, was elected president to succeed Walter W. Head. Oscar Wells, president of the First National Bank of Birmingham, was elevated to the first vice-presidency, while Melvin A. Traylor, president of the First Trust & Savings Bank of Chicago, was elected second vice-president of the Association.

The important Administration Committee, which is constituted of twelve members, will be composed of: President Knox, First Vice-President Wells, and Second Vice-President Traylor. Mr. Head, as the retiring vice-president, will sit on the committee, while the newly elected heads of the four divisions—Edgar L. Mattson, National Bank Division; Alvin P. Howard, Savings Bank Division; W. C. Gordon, State Bank Division, and Lucius Teter, Trust Company Division—will automatically become members.

There are three new members of the Administrative Committee. Harry J. Haas, vice-president of the First National Bank of Philadelphia, and Joshua Evans, Jr., vice-president of the Riggs National Bank of Washington, D. C., were appointed for two years, while C. C. Colt, vice-president of the First National Bank of Portland, Ore., was elected to serve one year. R. E. Harding, vice-president of the Fort Worth National Bank, of Fort Worth, Tex., who was a member of the committee last year, will serve again next year.

THE final event in the general convention was the presentation by John H. Puelicher, former President of the Association, of a silver service to Mr. Head, the

retiring President of the Association.

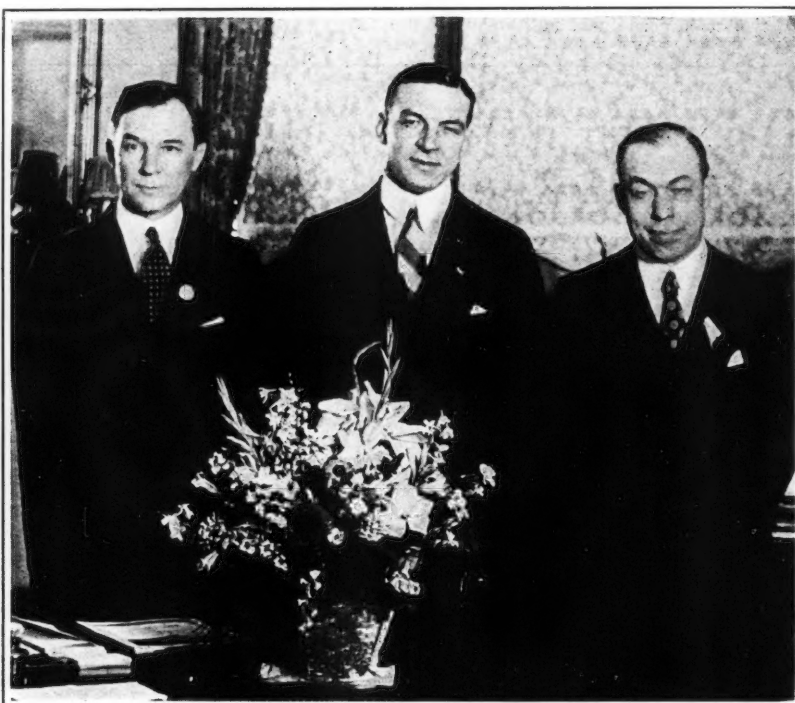
"We have come to the place in our program," said Mr. Puelicher, "where, for a few brief moments, heart is to speak to heart, where the appreciation of the great profession you have served faithfully and well is to be conveyed to you through the feeble voice of one of its members. Could words but adequately express what so many hearts so warmly feel!

"In serving this great Association you have been a public servant.

"You have given impetus to better economic thought through your public utterances which have been among the outstanding in the nation during the past year.

affection. May it always remind you of our belief in you, and may that belief hearten you to still greater service for country and for kin."

THE Chicago convention was a happy combination of work and play. A sprightly entertainment program, composed of a number of striking events, kept the 7000 visiting bankers and their families happy throughout the four-day sessions. The fifth day was given over wholly to golf and a tournament, held on the links of the Olympia Fields Country Club, attracted the best golfing talent among the American bankers.



The "Big Three" of the Chicago bankers, who helped to make the Fiftieth Annual Convention notable as a smooth running, perfectly arranged convention—Melvin A. Traylor, Chairman of the Arrangements Committee, on the left; Arthur E. Robertson, Convention Manager, and Craig B. Hazelwood, Chairman of the Hotel Committee, on the right.

The crowning event was the grand ball, given on the last night of the convention. The three great ballrooms of the Drake Hotel, lavishly decorated, were the scene of this magnificent party, where several thousand dancers tripped the light fantastic to the syncopated strains of three orchestras. Dancing continued until the wee sma' hours of the next day. At midnight a buffet supper was served. The ball will stand out as one of the most elaborate social features in convention history.

The Chicago bankers spared no expense in entertaining their guests. Whole theaters were taken over for the theater party given on Sept. 30 for the visitors. "The Swan," "Beggars on Horseback," "Topsy and Eva," "No, No, Nanette," "Seventh Heaven," "Applesauce,"

"Vogues and Follies," and other big hits were on the boards, and the guests were invited to select an attraction.

On the night of Oct. 1 the Chicago bankers staged a smoker in the vast Medinah Shrine Temple. It was a never-to-be-forgotten sight to see and hear the 5000 men in the audience as they witnessed a swiftly moving show, composed of the leading stars in vaudeville and on the stage. The stage of the temple is one of the most vast in the world, and, despite the fact that the temple can accommodate more than 5000 spectators, it was packed from pit to dome.

The ladies in attendance at the convention had a full entertainment program. On the first day a luncheon was tendered to them at the beautiful Edgewater Beach Club. En route to the famous hostelry they were toured through the residential section of Chicago and shown some of the expansive

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"You have stimulated the endeavors that are bringing about a better understanding among banker, farmer and educator.

"You directed effectively efforts seeking satisfactory solution of the vexing branch bank problem, thus keeping financial monopoly out of the life of our nation.

"Accepting the responsibilities of the office of President as bringing honor only as its responsibilities were honorably met, you have given it added significance.

"With fine respect for the fundamental and therefore the continuing policies of the Association, and with both appreciation and understanding of the endeavors of those charged with their accomplishment, you secured for your administration the best efforts and made for yourself a warm place in the hearts of your co-workers.

"Emblematic of this, we want you in your home—in the intimacies of your home—to have this symbol of the warmth of our

The Beginning of a New Prosperity

By WALTER W. HEAD

Retiring President American Bankers Association

Points of Similarity, Elements of Contrast Between Conditions Now and When the Association Was Formed 50 Years Ago. Signs of Promise. Our Relationship to Public Affairs. Urges the Bankers to Lead in Sound Political and Economic Thought.

WE meet today on the threshold of the fiftieth year of the American Bankers Association, the year which will complete a half century of service to the bankers of the United States and to the people of the United States.

Perhaps there is no great significance in the half century figure. The fiftieth year may not be different from any other year. But, when it marks the end of a period such as that through which our Association has grown and developed, the number always seems to possess certain magic qualities. It always tends to stimulate a review of progress which, if satisfactory, tends in turn to encourage a re-dedication to worthy purpose.

This is our fiftieth annual convention. Our first was held in July, 1875, 49 years ago, in the Town Hall at Saratoga Springs, N. Y. The circumstances under which that convention met are curiously analogous, in certain respects, to those which surround us today; in other respects, there are striking contrasts.

Definite Evidences of Recovery

THEN, as now, we met at a time when we were just beginning to see definite evidences of permanent recovery from the catastrophe of a great war. It was ten years after the end of the Civil war, but ten years at that time, with imperfect means of transportation and communication, meant no more—meant less—than the six years that have passed since the close of the World War. Then, as now, the war was followed by a brief period of apparent prosperity, false prosperity based upon an insecure foundation. The panic of 1873 was the certain and necessary aftermath of preceding inflation, just as was the depression of 1920-1921-1922.

There was agricultural depression in the early seventies even as in the period through which we have just passed. This led to the organization of the Farmers' Alliance, designed to protect the special interest of agriculture, an organization which threatened for a time to exert great economic and political power and which, in its day, aroused fully as much alarm among conservative groups as did the Non-partisan League fifty years later. Labor was then discontented and this gave birth, in 1875, to the American Federation of Labor, founded to secure for Labor the rights and privileges to which its leaders considered it justly entitled.

Politically, then as now, the period was one of unusual turmoil. The administration of President Grant was bitterly attacked; political prejudice was intense. Only a year later the nation was to face an unprecedented problem in the contested presidential election of 1876. It is noteworthy that the lessons of that unhappy struggle failed to bring about a change in our system of electing presidents and that, this year, we are again discussing the crisis which may result if the election fails to give one of the candidates a majority. In 1875, we witnessed the beginning of the political discussion over the evils of monopoly, evidenced by the attention paid to this subject by General Grant, in his annual message to Congress.

Contrast with 1875

THESE conditions and these activities are points of similarity. Equally interesting are the elements of contrast. We were, when this Association was organized, a nation strong by reason of one hundred years of achievement, but still without the strength of full maturity. The South, while defeated on the field of battle, was not defeated in the hearts of its citizens. The North had not yet ceased to boast of its victory. Sectional arrogance, sectional prejudices and sectional hatreds still prevailed. The political boundaries of our nation extended from ocean to ocean, but a vast territory in the western area was not yet settled. Uncharted prairie was still available to settlers dissatisfied with conditions in the eastern and central states. The frontier still offered opportunities—opportunities not without danger, for 1876 recorded the massacre of General Custer and his entire force while they were defending western settlers against marauding Indians. Today corn and wheat have succeeded prairie grass; cattle graze where Indians roamed; cities and towns dot the map of every state. Our country is one nation, bound by indissoluble ties of common purpose and common ideals.

In 1875, President Grant called the attention of Congress to the fact that the nation included 40,000,000 people; today its people number more than 110,000,000. President Grant boasted of over 2,000,000 men employed in manufactures and the annual production of over two billion dollars worth of manufactured products. Today over 12,000,000 men and women are employed in our factories, which have an annual output

valued at over sixty billion dollars. He said:

"One hundred years ago when our nation was born, the cotton gin, the steamship, the railroad, the telegraph, the reaping, sewing and modern printing machines, and numerous other inventions of scarcely less value to our business and happiness were unknown."

With all due credit to the progress of that century, we may, with equal pride, call attention to the fact that in the last fifty years, we have invented and developed the telephone, the electric light, the typewriter and the typesetting machine, the gasoline engine, the automobile, the airplane, the air-brake, the X-ray, the radio-telegraph, the radio-phone, and numerous other machines, articles and processes of tremendous importance—not excepting the important discoveries in the field of preventive medicine.

Progress of Fifty Years

IN finance as in other fields, we have made great progress. It is well nigh impossible to recognize the insufficient financial power and inadequate financial system of 1875 as an immediate predecessor of our present great strength. The capital invested in banking today—national, state and private banks—amounts to over six billion dollars—a sum two and one-half times as great as the entire national debt of the United States in 1875, including the tremendous cost of the Civil War. Our total banking resources amount now to fifty-seven billion dollars. In 1875 gold was at a premium. Only a few months before the first convention of this Association convened, Congress had passed an act directing that specie payments be resumed in 1879—but no provision was made to insure this result and many well informed men believed it impossible. Today we look back upon the greatest war of all ages, happy in the knowledge that our nation passed through this great crisis without at any time suspending specie payments, with its currency always at par and with its credit never endangered.

In this period of fifty years our nation has been unified. We have developed and increased its resources. We have become one people, devoted to a common purpose, with power of self-expression and self government infinitely greater than that ever before attained. I make this statement with full realization of the temporary difficulties which beset us, with full recognition of the temporary discontent which affects some of our people. These difficulties are serious because they should not exist to so great a

degree in a nation such as ours, but we have the will and the power to surmount them. We will surmount them.

- A Brighter Outlook

TODAY, as we enter upon the fiftieth year of our Association we look back upon this period of progress as the foundation upon which we now build—the inspiration of further effort.

The first year of our Association's life saw the beginning of a new prosperity. I verily believe that its fiftieth year likewise will be marked by the inauguration of another period of great prosperity. The signs are not lacking. Advanced prices for farm products have brought, for the first time since 1920, a promise of renewed agricultural prosperity, with resultant restoration of the purchasing power of those engaged in agriculture and consequent revival of other industry. The cash value of the principal farm products—other than livestock—appears likely to be \$700,000,000 greater in 1924 than in 1923. Meanwhile, a downward trend of other commodity prices has reduced the disparity between the prices of farm products and the general price level during each month of 1924, compared with the corresponding month of 1923, although the restoration of the pre-war price ratio is not yet in prospect.

Bankers have helped to solve the various problems of individual farmers and of the agricultural industry as a whole. Bankers have assisted in establishing farm produce exchanges, in introducing accurate farm accounting methods, in raising the standard of beef and dairy herds. The American Bankers Association, through its agricultural commission, has studied the causes of the recent depression and has formulated plans to improve standards of cultivation, to encourage diversification and to improve marketing methods. These activities have borne fruit, activities which have been approved and applauded by farmers, by farm organizations, and by agricultural experts.

Tried in Vain to Reach an Agreement

THE American Bankers Association believes that the causes of the agricultural crisis were predominately economic and that the remedy lay in the application of sound economic principles rather than in the pursuit of political panaceas. Those who thought otherwise, those who undertook to devise some form of political cure-all, tried in vain to reach an agreement even among themselves as to either cause or remedy. Meanwhile, substantial relief has come through the operation of natural economic law.

I would not for a moment—and do not—condemn all legislation which may be proposed for the relief of agriculture. Political action has its proper sphere, but its efficacy is limited to the removal of artificial obstacles which interfere with the normal functioning of economic principles. Legislation may help to keep open the avenues through which economic law is free to operate, but it can not do more. It may temporarily accelerate or temporarily retard

the ebb and flow of economic tides. It may alleviate, but it can not cure. We must be watchful—always watchful—that the legislative palliative does not—like a sleep-inducing drug—leave us to be victimized by a disaster greater than that which we seek to avoid.

The necessity that economic problems be solved by economic remedies—rather than by political tampering—applies to the entire field of commerce, industry and finance. In recognition of this fact the American Bankers Association has undertaken to spread broadcast a knowledge of basic economic principles and fundamental facts. This work has been carried on effectively by our Educational Commission and by our public relations commission, which have been successful in reaching millions of individuals by spoken or printed word.

Next to the improvement in the basic industry of agriculture, our greatest encouragement is the tendency toward political, economic and social stability in Europe. The various nations appear at last to have forsaken political expedients for the more certain relief of sound economic practice. Conflicting ambitions, conflicting prejudices and conflicting passions have been restrained. Harmony bids fair to succeed discord, and a common ground has been found for joint endeavor. The goal has not been achieved, but progress has been made. Previous disappointments justify caution against too great optimism, but, despite all that, we have every reason to believe that there is today greater promise of permanent European stability than at any time since that fateful day in July, 1914, when the great nations of Europe forsook peace for war and plunged headlong into a welter of blood, a maelstrom of destruction.

Two Great American Bankers

THIS great achievement is not the work of any single man. Statesmen of several governments, the people of many nations, made it possible. But insofar as special credit can be accorded, the largest individual measure must go to the man whose name is hailed in every nation as the principal author of the plan since adopted—General Charles G. Dawes of Chicago—and to his associates, Owen D. Young of New York and Henry M. Robinson of Los Angeles. You will observe that two of these three great Americans are bankers. The appointment of such a commission was formally advocated and persistently urged by this association at a time when such action was by no means popular in many other quarters.

The economic pacification of Europe will produce results so far-reaching that they defy detailed analysis. Certainly, it means a greater market for American products, improved financial relations between bankers and business men here and abroad—and we hope—a great reduction in the staggering cost of armament for war.

These things—the improved condition of agriculture, the tendency toward stability in Europe—are signs of promise for the future. They are not conclusive but they are significant. They offer a promise today; in another year they may afford evidence of accomplished fact.

This Association finds justifiable pride in its record upon the question of the eco-

nomic restoration of Europe. The bankers of America have reason also for pride in the part they have played in the great development of industry, commerce and finance in our own country.

Banker the Great Coordinator

THE banker has been the great coordinator of industry, commerce and finance. He has drawn together the capital of millions of people into a great reservoir and has distributed it through the channels of finance in order that productive enterprise may be established and maintained. The record is evidence of the wisdom and integrity which have guided the banker's actions—which have enabled him to co-operate with the management of industry and commerce to gain the maximum value of our resources and our genius.

The magnitude of modern operations, the sensitive response of modern industry to every force, make the banker's position one of increasing opportunity for genuine service. John W. Davis, the democratic nominee for the presidency, said:

"Big business has made this country what it is. We want big business. But it must be honest."

This may well become the watch-word of the banker, if to it we add one more phrase: "It—big business—must be efficient." The banker is the agent through which capital acts. He is in a position to direct its use so that it be both efficient and honest. It no longer suffices merely to make sure that capital is rewarded. The banker must see to it that capital wins its reward honestly, with due consideration for the rights of every man. He must also see to it that capital is not used wastefully, for inefficient use of capital results in the denial, to other factors in production, of their proportionate share of the fruits of production.

More and more, in every line of industry and commerce the banking fraternity has been called upon to play the role of a physician, to administer first aid and to prescribe the cure for all sorts of business adversity. Bankers have been forced to take over the direction of great enterprises, in order to steer them off the rocks of bankruptcy and to safeguard the investment. There are instances where such efforts have not been successful; on the other hand, the records disclose many noteworthy achievements.

We meet this year in the midst of a Presidential campaign of unusual interest, on the eve of an election which presents unusual possibilities. For that reason it is particularly timely—as it is always proper—to consider our relationship to public affairs, to the conduct of the government upon which we depend for guarantees of "certain unalienable rights," among which are "life, liberty and the pursuit of happiness."

The Burden of Taxation

THE financial burden of government has become increasingly heavy in recent years. It has, at times, reached the point of oppression. The Federal tax of 1920 aggregated more than five and one-half billion dollars. This year, after strenuous efforts to reduce the war-time peak, the total still exceeds three billion dollars—a



WALTER W. HEAD

President, Omaha National Bank, Omaha, Neb., Retiring President of the American Bankers Association

sum far greater than the entire burden of funded debt accumulated as a result of the Civil War. State and local taxes have increased at an even greater rate. Taxation has become more than a problem; it is a threat of impending disaster.

Nor is the burden of government limited to taxation. We are oppressed by a multiplicity of restrictive laws and administrative regulations. It is estimated that there are over two million laws and ordinances in the records of nation, states and municipalities. One adult person out of every twenty engaged in business or industry is a government official, agent or employee.

In the face of this record, despite the general recognition of the overwhelming burden of government, we find ourselves constantly waging a defensive battle against plans and programs which would transfer still greater duties to government, which would hamper individual initiative still further, which will—if put into practice—crush individual ambition and destroy individual opportunity.

We are being urged to desert ideals of individual enterprise, to enthrone government instead of the individual as the mainspring of industrial achievement. We face demands for government ownership and operation of railroads, of coal mines, of various great basic industries—demands which ignore the lessons of experience and disregard the natural tendencies of human nature, tendencies which make individual ambition the greatest stimulus to efficiency, to success and to progress. These efforts to nationalize our industries are especially destructive at the present time, when our railroads need careful guidance in order that they may avoid financial disaster and in order that the transportation burden, borne by the public, may be kept at the lowest possible figure. No other agency has done more than the railroads to enable the development of our country, to make possible its organization as one nation and one people. The continued efficient functioning of the railroad system is absolutely essential.

Under these circumstances it is our right—it is our duty—to affirm and defend sound principles of political faith as we have, on other occasions, supported sound principles of economic progress. The Constitution of the United States has stood for 135 years as the bulwark of our individual and our collective liberties. It has constituted the machinery by which majorities have been able to carry on the government of their choice; it has, at the same time, been the refuge and defense of oppressed minorities. It has held together a people numbering many millions, resident now in forty-eight sovereign states. It has, at the same time, guaranteed the freedom of each individual, limited only by the necessary prohibition against interference with the equal rights of others.

The Value of the Constitution

THE Constitution has been a bulwark against political intolerance. It has been a bar against religious bigotry. Today, as heretofore, we must preserve to every man the right to worship God as he may see fit; the Constitution is our nation's guaranty that he shall have that right.

The Constitution has been and is now the greatest existing restraint upon an arrogant majority. It has been and is now the greatest existing defence of the very minorities which, at this time, are being led to denounce its restrictions—restrictions upon which they themselves have depended in times past when they were weak and the forces opposing them were strong.

One of our greatest needs is to repel the attacks now being made upon the integrity of this charter of our freedom. We should—we must—oppose vigorously all efforts to give Congress the power to override decisions of the Supreme Court—and thereby destroy the division of governmental power which is the inherent strength of our constitutional system. In the words of John W. Davis:

"These proposed amendments can have no other purpose than an entire change in our constitutional system, for in attempting to destroy or limit the power of the Supreme Court to adjudicate upon the constitutionality of legislation, we are giving up at one stroke not merely our belief in the separation of judicial and legislative powers but our reliance upon the Constitution as the supreme law of the land. . . . When all such proposals are reduced to their simplest terms, they stand forth naked and undisguised as an attack on our theory of government under a written constitution."

Mr. Davis is right—exactly right. And President Coolidge is right when he says:

"The people know the difference between pretense and reality. They want to be told the truth. They want to be trusted. They want a chance to work out their own material and spiritual salvation. The people want a government of common sense."

By a return to "common sense" President Coolidge means nothing more and nothing less than a return to sound political principle, a rejection of political "will-o'-the-wisps," an abandonment of political chicanery. That is what the bankers of America stand for today—regardless of political partisanship. That is what the real American statesman stands for, regardless of party label.

The Power to Achieve

DURING the last few years we have been beset by grievous perils. We see signs of a brighter future. We may yet—no doubt we will—suffer disappointments; we will at times find the path rough and we will sometimes find the ascent steep. Eventually we shall triumph. Man continually develops new strength within him, with which to scale the heights which measure definite achievement.

For generations adventurous spirits have sought to climb the great mountain peaks which pierce the azure blue. Mount Everest, highest of them all, still stands untrod by foot of man. But some day—soon—some intrepid explorer will reach the summit. The reason—the real reason—is set forth in stirring words by Sir Francis Younghusband, the distinguished British explorer. He speaks of a mountain peak—a material thing, of earth and rock and ice. But his words apply figuratively, with equal force, to man's struggle with every new problem which confronts the race. With that interpretation, permit me to quote:

"The doom of Everest is sealed, and for one simple, one very obvious reason. Man grows in wisdom and stature; but the mountain's stature is fixed. Man can exalt the spirit within him, but the mountain cannot add a single cubit to her measure. . . . He finds means to outwit the moun-

tain's allies. And each throw he receives only heightens his spirit. He quickly recovers himself, and undaunted returns to the battle. While the mountain forever remains fixed, the spirit of man can heighten itself—can rise higher and higher as the battle demands and the occasion requires. As man looks up to the hills and earnestly strives to attain them, his spirit increases within him."

My fellow bankers, let us be inspired to climb the heights, let us reach the summit represented by service to community, service to nation, service to all mankind—even as these courageous men have been inspired to undertake the tedious, arduous climb toward the summit of Mount Everest. Let the name by which we are designated—banker—be synonymous with honesty, with integrity, with patriotism. Let the bankers of America be leaders, leaders in sound political thought, leaders in sound economic thought, leaders in achieving social progress. Let the American Bankers Association be the source of inspiration for every banker in America and, at one and the same time, the agency through which all bankers may direct their joint endeavors in the attainment of their common purposes.

China Has a Woman's Bank

A BANK completely staffed and financed by women for the double object of promoting employment of Chinese women and to encourage savings among them has recently been organized by prominent Chinese women of Shanghai, John H. Nelson, assistant trade commissioner at Shanghai, China, reported recently to the United States Department of Commerce. The capital of the bank, originally fixed at \$250,000 silver divided into 25,000 shares of \$50 each, was so rapidly secured that a further \$250,000 was decided upon to enlarge the financial strength of the bank.

The bank will engage in ordinary banking business, including exchange, deposits, savings and loans. A special feature of the bank is said to be that of mortgage, which the bank proposes to carry on in the same manner as the pawn shops. Since it is a common custom for Chinese women to pawn their jewelry when in need of money, the bank proposes to receive such articles for loans at low interest.

Women employees are now being engaged by the bank staff, and all candidates applying for positions in the bank are referred to the Ling Sung School at Kiangwan for two months' training in modern banking methods. The bank will be located on Nanking Road.

Another women's bank has been established in Peking for some months. It is called the "Chinese Women's Commercial Bank" and has a capital of \$500,000 silver.

Postal Orders to Finland

A direct exchange of money orders between the United States and Finland was inaugurated on October 1. Money orders for Finland are now issued in United States currency and converted into Finnish currency at the approximate rate of exchange prevailing on the date of the arrival of the list in which the orders are certified. Previously money orders for Finland were sent through the intermediary of Sweden.

To Preserve Our Independent Banking System

Resolution Urging Enactment of Hull Amendment to McFadden-Pepper Bill Regarded as Solution of Problem. Measure Limits Practice to States Where It Is Now Authorized and Prevents Its Expansion. President Head Views It as End to Dissension.

ONE of the outstanding achievements of the convention was the adoption of a resolution providing for the enactment of legislation designed to bring about a solution of the vexed problem of branch banking. The proposed legislation is in the form of an amendment to the McFadden-Pepper bill now pending.

Prefacing his remarks with the observation that for the last ten years the American Bankers Association had been passing resolutions against the branch bank proposition, which in the meantime had grown from just a few to a present total of about 1700, John D. Phillips, President of the State Bank Division, said that, instead of passing so many resolutions, the Association should pass some laws that would stop the practice.

As a step toward this, he offered a resolution of support of the Hull amendment to the McFadden-Pepper bill, explaining that the amendment provides that no branch banks can be established in any state which does not by statutory provision allow the establishment of branches to state banks and further provides against the expansion of branch banking.

Resolution Is Offered

THE resolution offered by Mr. Phillips was as follows:

"As each member of this Association is well aware, the branch bank question has for many years sorely disturbed the banking fraternity of America. Upon at least three occasions the members of this Association in convention assembled have expressed their opposition to branch banking. On Feb. 11, 1924, the Hon. Lewis T. McFadden introduced in the House of Representatives a measure officially designated as H. R. 8887 which amended in several instances the National Bank Act. The two most important sections of the bill dealt with the branch bank practice, one of the sections prohibiting the further expansion of state-wide branch banking upon the part of member banks of the Federal Reserve System. The other granted to certain national banks the right to establish city-wide branches under stipulated conditions.

"It was believed by many that the method of granting relief to these national banks, located in the cities where branch banking was extensively practiced by state institutions, was fraught with grave possibilities. To safeguard the interests of thousands of individual bankers, to insure that our independent banking system—particularly adapted to the needs of this country—should continue, to make certain that branch banking should be confined to its present limits, two important amendments were proposed to Sections 8 and 9 of the McFadden Bill. These amendments have been accepted by the author of the original measure and others in Washington who were active in creating favorable sentiment for the bill as introduced.

"The exact wording of the amendments having been submitted to this convention, and a clear and concise explanation of their several commendable features given, it is therefore the sense of this, the Fiftieth Annual Convention of the American Bankers Association, that the amended McFadden Bill should be enacted in its present form at the earliest moment. The amended

measure will come before the December session of Congress, and the Executive Officers and Federal Legislative Committee of this body are instructed to aid to the utmost in the enactment of the bill."

In seconding the motion for the adoption of the resolution, Grant McPherrin, president of the Central State Bank, Des Moines, Chairman of the Committee on Branch Banking, said he realized that the bill did not suit all of the bankers, but that as it is impossible to suit everybody and, he believed, impossible to do away with branch banks entirely, he urged that the next best thing would be to adopt a measure that is best suited for the majority of all concerned. The longer the matter is delayed, the worse it would be for all concerned, he said, declaring that the branch bank evil had doubled in the United States in the last three years.

President Head expressed appreciation of the long and patient work done by Mr. McPherrin and the members of the Committee on Branch Banking, and called upon E. N. Baty, author of the proposed amendment to the McFadden-Pepper bill.

Amendments Explained

MR. BATY explained that there are three amendments to the McFadden bill. The first is extremely short, being the phrase, "at the time of the approval of this Act," inserted after the word "not" in Section 8 on page 9, line 16. The two other amendments are additions to Section 9. On Page 11, Line 13, after the word "located," the following is inserted:

"And no such applying bank in any state which by law or regulation in force at the time of the approval of this Act prohibited state banks and trust companies created by or existing under the laws of such state, from having branches within the limits of municipalities in such state, or in any state whose laws, at the time of the approval of this Act, are silent with reference to the authority of such state banks and trust companies to have such branches, shall be permitted to become such a stockholder except on condition that it relinquish any such branches which it may have in operation."

The third amendment is the sentence "and provided further that no such member bank shall be permitted to establish any branch within the limits of the municipality where such bank is located in any state which by law or regulation, at the time of the approval of this Act, prohibited state banks and trust companies created by or existing under the laws of such state from having branches within the limits of such municipalities in such state nor in any state whose laws at the time of the approval of this Act were silent with reference to the authority of such state banks and trust companies to have such branches."

The amended sections read as follows:

Section 8. That Section 5190 of the Revised Statutes of the United States be amended to read as follows:

"Section 5190. The general business of each national banking association shall be transacted at only one office or banking house, which shall be located in the place specified in its organization

certificate, and no such association shall own, establish, maintain or operate any branch or branches in any state which does not, at the time of the approval of this Act, by law or regulation authorize banks created by or existing under the laws of such state to own, establish, maintain, and operate such branches, and no such association in any state whatsoever shall own, establish, maintain or operate any branch or branches beyond the corporate limits of the municipality wherein such association is located, but any such association in any state which by law or regulation authorizes banks created by or existing under the laws of such state to own, establish, maintain, and operate such branches may, upon application to the Comptroller of the Currency and upon approval by him be permitted to establish and operate a branch or branches within the corporate limits of the municipality wherein such association is located, but it shall be unlawful for any such association to maintain in operation more than one such branch within the corporate limits of such a municipality where the population by the last decennial census is not less than 25,000 and not more than 50,000, and more than 100,000: Provided, however, That all such branches of such associations shall be subject to the general supervisory powers of the Comptroller of the Currency and shall operate under such regulations as he may prescribe.

Term Branch Defined

THE term 'branch' or 'branches' as used in this section shall be held to include any branch bank, branch office, branch agency, additional office, of any branch place of business located in any state or territory of the United States or in the District of Columbia at which deposits are received or checks cashed or money loaned.

"This section shall not be construed to amend or repeal Section 25 of the Federal Reserve Act as amended authorizing the establishment by national banking associations of branches in foreign countries or dependencies or insular possessions of the United States."

Section 9. That the first paragraph of Section 9 of the Federal Reserve Act be amended by adding at the end thereof two provisions and a new paragraph to read as follows:

"Provided, That on and after the approval of this Act the Board shall not permit any such applying bank to become a stockholder of such Federal Reserve Bank except upon condition that such applying bank relinquish any branches which it may have in operation beyond the corporate limits of the municipality in which the parent bank is located, and no such applying bank in any state which by law or regulation, in force at the time of the approval of this Act, prohibited state banks and trust companies created by or existing under the laws of such state, from having branches within the limits of municipalities in such state, or in any state whose laws, at the time of the approval of this Act, are silent with reference to the authority of such state banks and trust companies to have such branches, shall be permitted to become such a stockholder except upon condition that it relinquish any such branches which it may have in operation: Provided, further, That no member bank shall, after the approval of this Act, be permitted to establish a branch beyond the corporate limits of the municipality in which such bank is located, and it shall be unlawful for any such member bank to maintain in operation more than one such branch within the corporate limits of such a municipality where the population by the last decennial census is not less than 25,000 and not more than 50,000, and more than two such branches where such population is not less than 50,000 and not more than 100,000; and Provided further, That no such member bank shall be permitted to establish any branch within the limits of the municipality in which such bank is located, in any state which by law or regulation at the time of the approval of this Act, prohibited state banks and trust companies created by or existing under the laws of such state from having branches within the limits of such municipalities in such state, nor in any state whose laws at the time of the approval of this Act were

silent with reference to the authority of such state banks and trust companies to have such branches. "The term 'branch or branches' as used in this section shall be held to include any branch bank, branch office, branch agency, additional office, or any branch place of business located in any state or territory of the United States or in the District of Columbia at which deposits are received or checks cashed or money loaned, but shall not include any branch established in a foreign country or dependency or insular possession of the United States."

Two Things Accomplished

THE amended bill, which Mr. Baty called the Magna Charta of the independent banking system, does two things. It first grants national banks the relief they must have if they are to continue. The second benefit accruing from it is even greater, a bill of rights guaranteeing that branch banking shall not become the order of the day. Through its operation approximately two-thirds of the states will never be confronted with the branch bank problem. "A concrete example well illustrates this fact," Mr. Baty continued. "If, for instance, an attempt was made at some future date to change the Illinois law now prohibiting branches, the efforts of several influential groups working together would insure the defeat of the attempt. All of the national bankers, realizing that such a change in the Illinois law would give certain of their state bank competitors privileges denied them by the amended McFadden bill, would oppose the move. So also would all state banks belonging to the Federal Reserve System, for they, of course, would know that they could not avail themselves of the branch bank privileges without leaving the System.

"Added to this opposition would be the efforts of those bankers, both national and state, who have constantly protested against the spread of branch banking. This 'triple alliance' of bankers would unquestionably upset the plans of any banker in this state who might at some future date develop symptoms of that dreaded disease 'branch-bankitis.' What would happen in a state like Illinois would be duplicated in all other states where branch banking is not today legalized or practiced.

"The bill is not a compromise, as has been charged. It will not permit the establishment of one single branch in any section or territory which does not already have branches. It adds no new territory; in fact, in those sections where branch banking is extensively practiced, it curtails most effectively further expansion. The amended bill placed upon our statute books signifies real progress in our long campaign against the branch bank evil. The amended bill will end the countless acrimonious discussions and put upon the shelf for all time to come this most troublesome question."

President Head Gratified

AN indication of the importance attached to the solution of the branch bank question reached at the convention was given in the course of an address by President Head before the convention of the National Bank Division. This Division, he told its members, was his first love in the Association, as he had become a member of the Executive Committee of the Division seven years before, and every time he attended a meeting of national bankers, or one under their direction, he could not help but think

about the manner in which he came into the organization.

"I think perhaps it might be well for me here and now to acknowledge my debt of gratitude to J. Elwood Cox," he continued. "He is the man who came along and said, 'You ought to be taking a more active interest in the affairs of the National Bank Division.' And I was placed on the Executive Committee. And then in due time Mr. Cox came along again and said, 'I think you ought to be elected Vice-President of the National Bank Division.'

"But," I said, 'it takes votes to do that.'

"He said:

"Well, yes, it takes votes it is true, but you have a good many acquaintances and several friends."

"And right here I should say I owe a debt to Henry McKee of Washington, because he really was slated for the vice-presidency and he simply and generously came to me and said:

"Inasmuch as it is your last year on the Executive Committee and I have another year, why I will continue on and you go ahead of me.' That is how I came to the Presidency of the National Bank Division, and then naturally on as Second Vice-President and First Vice-President and then to the Presidency of the organization.

"So the National Bank Division is my first love.

"The interest on the part of those who have come to this convention evidences the fact that they have come here for the purpose of securing all the information they can and all the inspiration they can. Why should not there be inspiration in the annual convention of the American Bankers Association? Why should not there be inspiration in all the divisional meetings? As I said in the State Bank Division, to me there never was a greater opportunity for business men, for business women, not only to thoroughly study the political situation and the economic situation, for they should come out boldly and not only demand their rights, but do so in a manner that their demands would be effective as well.

A Prediction Recalled

"I WAS particularly gratified to hear the President refer to the branch bank and to the work of the Branch Bank Committee of the American Bankers Association. I should not do myself justice were I not to make mention of the fact that down at the council meeting last spring, when it looked as if there could be no agreement on the branch bank problem, when it looked as if most all of us had a different idea as to what course of procedure should be agreed upon, the President of the National Bank Division came to me and he said, 'Well, you may have been buffeted about and kicked a wee bit by some of the best friends you ever had, but just keep in mind that they are all for you and that at the proper time the whole thing will work out all right.'

"I could not quite see it at that time.

"But growing out of that meeting came the feeling on the part of the men in the National Bank Division, the men in the State Bank Division, the men in the Trust Company Division and all the membership of the American Bankers Association, that

the thing was wrong as it existed and that if the national banks of the United States, especially the larger national banks, operated in states where the state laws permitted branch banking or permitted state banks to have branches, it was only a question of time if these banks were not to be given the privilege that would permit of their meeting the other banks on an equal basis, and the large banks in these same states would retire from the national banking system. And with that thought in mind those who had made a special study of the subject began to look about for a new idea to be incorporated into some sort of an agreement that could be presented at the proper time to the convention in the belief that these differences could all be ironed out.

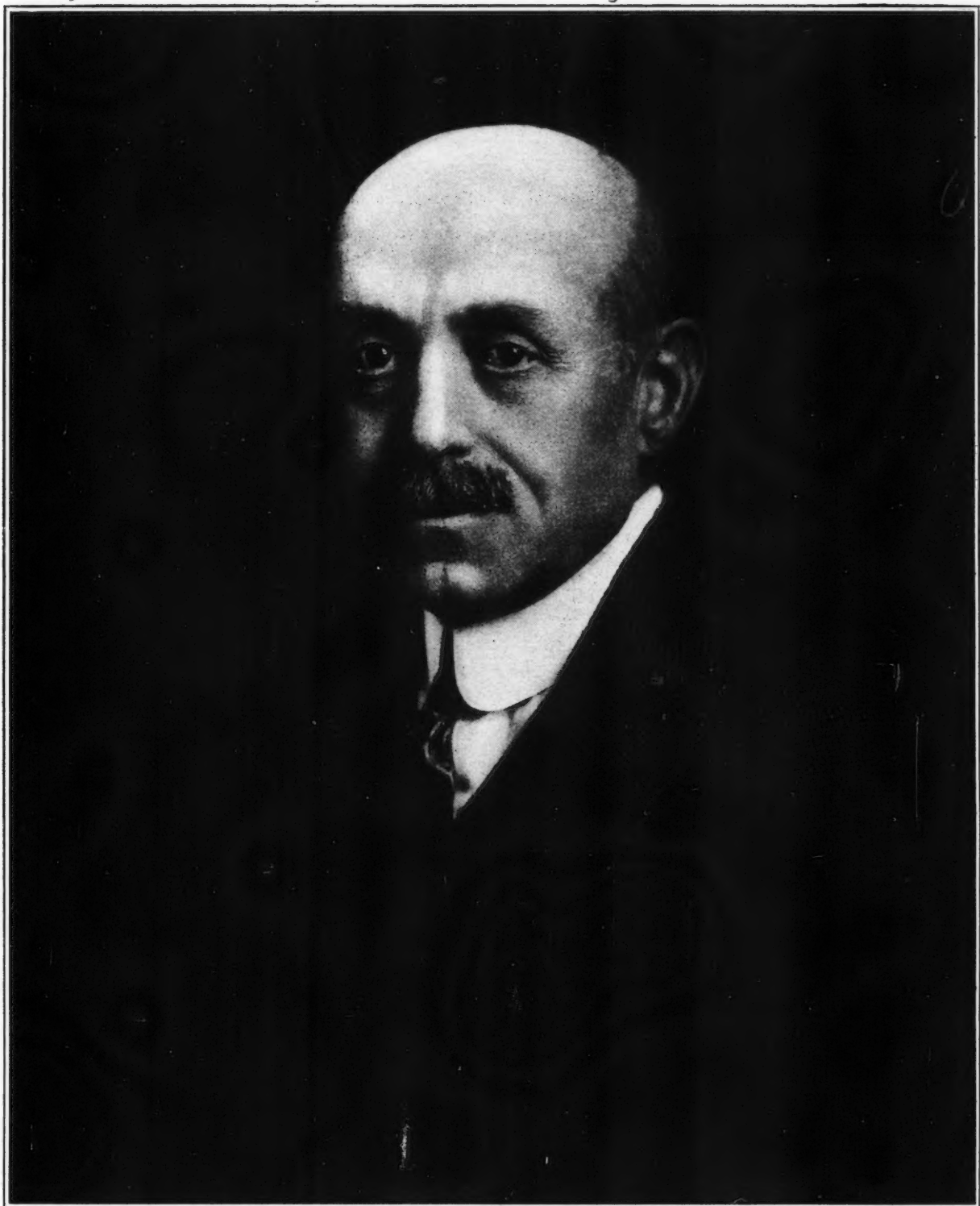
"You who were at the New York convention and remember what took place there could hardly believe that at the general convention this morning, when a resolution following the action of the Branch Bank Committee was presented, that it was passed unanimously. Mr. Preston's prediction to me while at Augusta last spring came out, just as he said it would.

"That reminds me that sometimes the victors are not the victors, and sometimes the losers are not the losers. It seemed to me at Augusta that those who felt that the Council at that particular time, regardless of the action of the Association in convention assembled on previous occasions, should drive right through and take action demanding that the officers of the organization should make every effort to have the McFadden bill, including that part of it relative to branch banking, approved and enacted into law.

"But it seems that, when the victors for the time being had passed over even the last trench, Mr. Preston came along just about at the right time and held them back, and on second thought, these men, recognizing that he was right, began immediately not only to help him but to help me. It is the united efforts of all these men in the National Bank Division and all who were vitally interested in the State Bank Division and in the other divisions that made it possible this morning to come to an agreement on the important subject of branch banking, which has almost torn asunder the American Bankers Association for a period of years.

"That demonstrates the further statement that, if bankers will stand shoulder to shoulder and place themselves squarely against the things they are not convinced are right, and if they stand squarely behind the things they do believe are right, at the proper time, if we have courage and determination in our hearts, we shall eventually triumph, as the American Bankers Association and its membership triumphed in the hour of seeming disappointment.

"It is but natural that as we come closer together we understand each other better, and as a result the American Bankers Association has few cliques any more; it has few divisions that believe just because of some inherent right they have a right to go ahead and put it over to the detriment of others engaged in the banking business in the United States. And if that is true, there is no one thing that we cannot do, no one thing that we cannot encounter successfully, if we but face the problem in the spirit of cooperation."



WILLIAM E. KNOX

the new President of the American Bankers Association, is president of the Bowery Savings Bank of New York City. Born in Strabane, Ireland, in 1862, he came to America with his parents as a lad of nine years. He was educated in the public schools of New York City and at the age of 15 started work as an office boy in a publishing house. After eight years' experience in the publishing business Mr. Knox entered upon his banking career as a junior clerk with the Bowery Savings Bank in 1885 and has been connected with that institution ever since. During his 39 years' association with the bank Mr. Knox has had experience in every position, from junior clerk to president. He has long been active in the Association's activities, serving during the past year as first Vice-president. In 1914-15 he was President of the Savings Bank Section.



OSCAR WELLS

the new first Vice-president of the American Bankers Association, is president of the First National Bank, Birmingham, Ala. Born in Platte County, Mo., in 1875, he was educated at Bethany College, W. Va. In 1898-99 he was assistant cashier of the Wells Banking Co., Platte City, Mo., and from 1899 to 1902 he was president of the Edgerton National Bank, Edgerton, Mo. Successively he was cashier of the Carthage, Mo., National Bank, 1903-5; Fort Worth, Tex., National Bank, 1905-9; Commercial National Bank, Houston, Tex., 1912-13, and governor of the Federal Reserve Bank, Dallas, 1914-15. He resigned to become president of the First National Bank of Birmingham, succeeding W. P. G. Harding.

The McFadden Bill Analyzed

By GEORGE WHARTON PEPPER
United States Senator From Pennsylvania

Measure Now Pending in Congress, Designed to Improve the Position of National Banking, Provides as One of Its Salient Features for Equality of Opportunity with State Banks in Respect to the Establishment and Maintenance of Branch Banks.

DURING the first session of the Sixty-eighth Congress, Representative McFadden, Chairman of the House Committee on Banking and Currency, introduced an important measure designed to improve the position of national banking, H. R. 8887. The same measure was introduced in the Senate as S. 3316. With some amendment both bills were reported favorably by the respective committees. In the rush of business incident to early adjournment, neither bill was acted upon and both are still pending.

Congressmen and Senators who sooner or later will vote upon these bills are eager for all the light that we can get upon the merits or demerits of the proposed legislation. You are the people who are professional experts respecting matters as to which I and most of my colleagues are mere amateurs. Perhaps it will help you to advise us wisely if I state briefly the point of view which I at present hold and the nature of the considerations which seem to me to be applicable to the discussion.

Before discussing the provisions of the pending bill I asked myself what, at the moment, is the condition of our American banking system and what divergent views are there in respect to its wisest development?

Banks Units of System

THERE are the banks chartered under state laws. There are the banks organized under the National Banking Act. Of the former there are about 21,350 with aggregate resources of \$33,000,000,000. There are about 8085 national banks with aggregate resources of \$22,000,000,000. These banks, whether state or national, are the units of our system. Considering the number of units and the vast area to be served, it is inevitable that there should be a struggle of opinion between individualism and centralization. In a solar system we recognize centrifugal and centripetal forces. In political science we discuss imperialism and local self-government. In the field of banking, according to temperament or self interest, we argue for a more rigid system of central control or for a greater freedom of action on the part of each unit.

After a generation of agitation and ten years of discussion of a measure which should substitute harmony for conflict, the Federal Reserve Act was passed. "Today," says an authoritative writer, "the Federal Reserve System stands as the very foundation of American commerce, more powerful in resources than any banking system in

human history, with a record of unsurpassed service to the nation in time of unique trial."

Both because it is so strong and also because it is an effort at harmony, it is inevitable that the system should be violently attacked. Some of its critics are informed. Some are ignorant. Some make helpful and constructive suggestions. Others seek to tear down and trample. But far down in the strata that underlies the discussion is the eternal opposition between the desire for order through control and the craving for freedom through lack of it. The problem, as always, is so to organize as to get necessary order and at the same time to retain necessary freedom. The Creator solved this problem for the universe when He devised the law of gravitation. There is a difference of opinion as to the width and depth of the chasm which separates the Congress from the Creator.

Difference of Opinion

TO this difference of opinion is due the large number of state institutions which have not entered the Federal Reserve System. The national banks are in by compulsion. Fifteen hundred and seventy-one state banks have entered voluntarily. Nineteen thousand, seven hundred and seventy-nine state banks remain outside. The aggregate resources of banks of all sorts in the system is about \$35,000,000,000. The aggregate resources of those outside is about \$21,000,000,000.

Such, in barest outline, is the situation. The following points of view may be detected among those who discuss it:

1. A desire to favor national banks as such.
2. A desire to favor state banks as such.
3. A desire to insure equality of opportunity for banks of both classes without preference.
4. A desire to bring more state banks into the Federal Reserve System.
5. A willingness to keep non-member banks where they are.

In this summary I take no account of perverse and unintelligent attacks on banks in general or on the Federal Reserve System in particular. These merely disclose the calibre of the assailant and serve to obscure the real problem.

The McFadden bill was framed in an effort to remove certain handicaps under which national banks are working and thus to insure equality of opportunity as between the two classes. If in any particular it favors national banks at the expense of state banks, or vice versa, I personally

should wish for further amendment.

The salient features of the bill have been summarized as follows:

1. Provides for indeterminate charters for national banks in lieu of present ninety-nine year charter. State banks enjoy charters without time limitation.
2. Permits organization of national banks in outlying districts of cities of over 50,000 population with a smaller capital than \$200,000 upon approval by the Comptroller of the Currency.
3. Regulates branch banking and limits operation of branches to the municipality in which the parent bank operates. Limits establishment of branch banks to states which permit branches at the time of the passage of this act.
4. Prohibits branches in cities under 25,000 population, more than one up to 50,000 population, more than two up to 100,000 population.
5. Provides for payment of stock dividends.
6. Simplifies procedure necessary for consolidations.
7. Removes restrictions on real estate loans, permitting loans for periods up to five years under control of the Federal Reserve Board.
8. Provides punishment for obtaining loans based on financial statement known to be false.
9. Clarifies in a general way the national bank act regulating national banks.

Main Point of Contention

WHILE each of these features may properly give rise to debate, it is the proposed provision in regard to branch banking which provoked the sharpest difference of opinion.

At present, according to a careful summary prepared by Judge Paton, the states are divided as follows respecting the policy of permitting branch banking:

States	
State-wide branch banking permitted....	8
Branch banking restricted as to locality..	5
Branches permitted without express statutory authority	2
Right to operate branches implied, but none exists	1
Branch offices or agencies permitted, but not "branch banks".....	4
Statutes expressly prohibiting branch banking	16
Without express statutory prohibition, but branches not permitted.....	11
Status uncertain	1
Total	48

Irrespective of the state law on the subject, the national banks are prohibited altogether from establishing or maintaining branch banks. The question is whether in states where branch banking is permitted national banks should by Federal legislation be given some branch banking privilege. It seems to me that the principle of equality of opportunity requires that to this question an affirmative answer be given.

If I am right, I am met by another question, viz., how great should the privilege be? Shall it be state-wide and unlimited or restricted to the limits of the city in which the parent bank is situated? My opinion on the merits of this question is not, perhaps, very weighty. To me, however, it seems clear that the rules of action which should control are these: (1) do nothing to hinder the free development of country and local banks, (2) discourage absentee banking, (3) consistently with these rules, do all that you can to consult the convenience of city banks and their customers. A permission to maintain branches within the city and a prohibition upon the establishment of branches beyond its limits appears to me to satisfy these rules.

Contingent Questions

IF this is sound, the following questions next arise:

1. Shall a state bank with existing branches throughout the state be permitted to nationalize and retain them?

2. Shall a state bank without such branches be permitted to establish them before nationalizing and afterward retain them?

3. Shall a state bank be permitted to establish branches under a state law hereafter passed and then become a national bank with branches?

The bill answers the first two questions in the negative, but an amendment has been proposed which would permit a state bank with up-state branches now existing to become a national bank and retain them. As to the third question, the bill as drawn would

permit a state bank to take advantage of future enabling state legislation and enter the national banking system with municipal branches; but pending amendment would change this result by limiting all branch banking privileges of national banks to states in which the privilege exists at the time when the McFadden bill becomes law. The purpose of this amendment is to discourage local political effort to secure branch banking privileges from state legislatures which at present withhold them.

I come now to one of the most important questions of all, namely, whether the branch banking policy embodied in the bill shall be effectuated by a change in the Federal Reserve Act. The bill proposes such a change by prohibiting Federal Reserve members from establishing up-state branches and by providing that state banks retaining such branches shall not be eligible for Federal Reserve membership. A pending amendment proposes to modify this restriction in the case of branches already established at the date the bill becomes law.

Still another amendment would prohibit Federal Reserve members from doing branch banking even within municipal limits if the privilege to do so is given by a state act passed after the McFadden bill becomes law. This amendment is similar in aim to the one already referred to in connection with the nationalizing of state banks.

Even as amended there is room in the provision for sharp difference of opinion. On the one side are those who favor unlimited branch banking and those who believe in leaving state banks as free as possible. On the other side are those who are opposed to unlimited branch banking and who desire to unify the Federal Reserve membership in this particular. To me it seems clear that as national banks are required by law to enter the system and to operate without up-state branches the principle of equal opportunity should so apply as to place limits on the branch banking privileges of state banks which come into the system voluntarily.

Favors the Amendment To Remove Limit

I APPROVE the amendment which would remove the limit as to existing branches. I realize the handicap to the Federal Reserve System which would exist if state banks declined to enter because of a desire to establish future up-state branches. I am hopeful, however, that this desire will not actuate many of them. When an honest, intelligent and patient effort is being made to accommodate conflicting interests for the general good, large-minded people will not be insistent upon their theoretical rights.

On the whole it seems to me that the McFadden bill deserves to pass and that its enactment will help the national banks without injuring the state banks. The proposed amendment to the Federal Reserve Act seems to me to be entirely in order if we really mean to protect local banks from the menace of metropolitan competition and to protect local communities from the perils of absentee banking.

Such is my attempt to indicate to you how I am trying to approach the important questions involved in this bill. After all, however, it is your consensus of opinion that will be authoritative because I assume that you take thought for all sorts and conditions of men and banks, and that you will not willingly afflict or grieve any of them. My business is so to educate myself that I shall be able to distinguish between measures framed in the interest of some and measures framed in the interest of all. The hard thing in American public life is to think and act in terms of the whole. The representation of special interests is slavery. Political agitation in the interest of a class is the activity of self-seekers. The reconciliation of particular interests with the general good is statesmanship. Of this commodity there is at the present time no over-production.

Minnesota Urges Banks to Strengthen Position

ASSERTING that "public confidence in banks must be restored" and that "the only way to do this is to have safer banks in the future," A. J. Veigel, superintendent of Banks for the State of Minnesota, has addressed an open letter to all state banks and trust companies in Minnesota, urging them to continue the movement for "thorough house cleaning" until "all questionable assets are removed from banks."

The superintendent served notice that "dividends must not be paid this year unless the bank is in such shape as to clearly justify such payment" and informed the banks that any dividends paid contrary to these instructions would be recalled.

In his analysis of the causes for bank failures and losses in other banks, the superintendent cites excessive loans to officers,

large lines and unwarranted extensions of credit, outside loans, the exchange of paper and an abnormal increase in real estate and second mortgage loans.

The Minnesota Department of Banking, touching on "Too many banks," said:

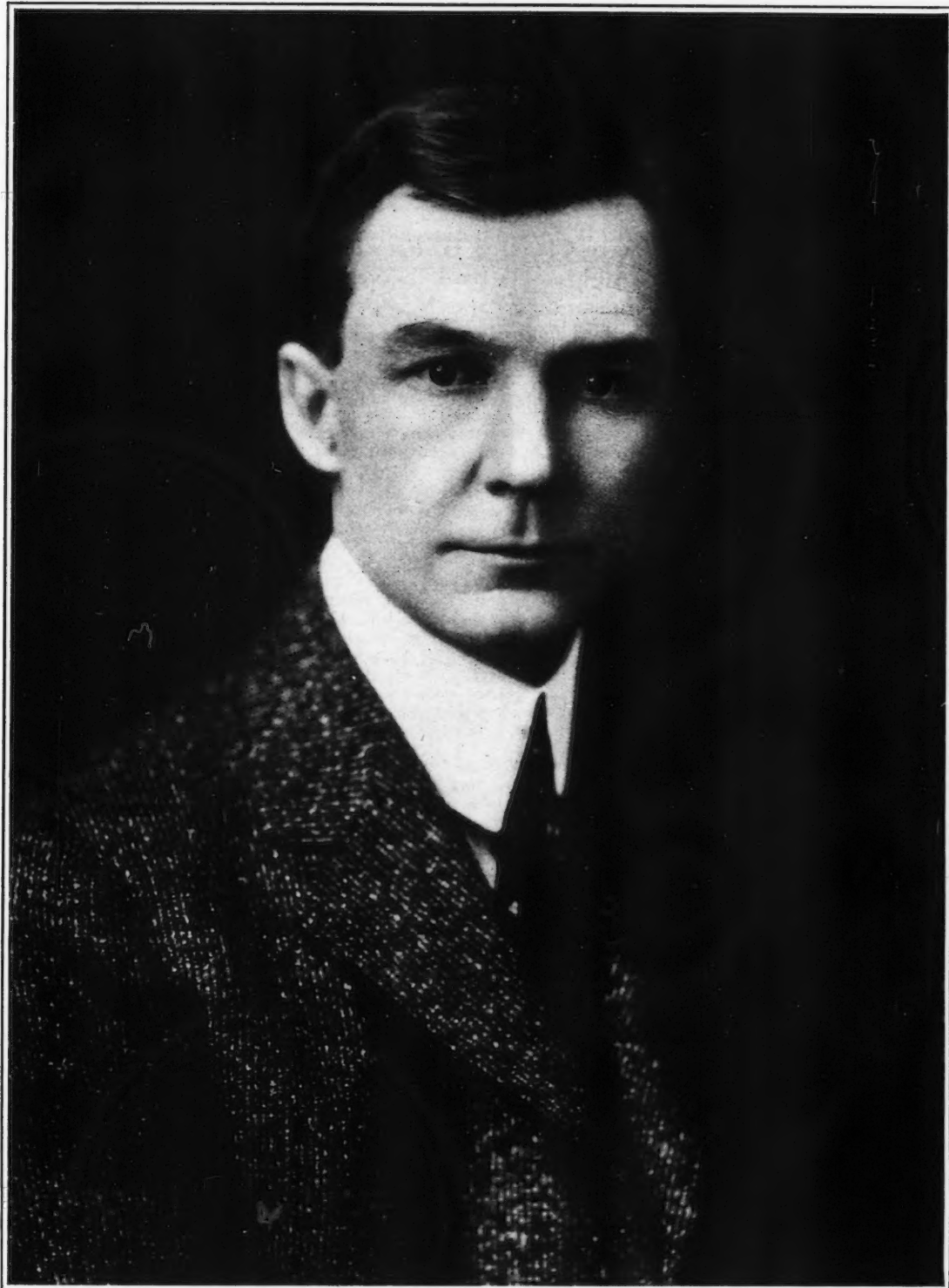
"Many cities, and especially villages, have too many banks. If a bank does not have enough business to pay reasonable salaries, dividends, charge off losses, and build up a surplus, it will probably not be a safe bank indefinitely. Our department is therefore encouraging and even urging certain banks to consolidate, where the conditions warrant such action.

"We believe that the minimum capital of banks, which is now \$10,000 to \$25,000, (according to the size of the city) should be increased. That would add a margin of

safety for depositors, to which they are entitled. It would also prevent persons from starting banks, who are not financially able to get back of them, if necessary."

Host to Ex-Presidents of the Association

Robert F. Maddox of Atlanta, Ga., former president of the American Bankers Association, gave a dinner at the Congress Hotel in Chicago, September 30, to twelve of the eighteen living ex-presidents of the organization. Those present were E. F. Swinney, Kansas City, 1904; George M. Reynolds, Chicago, 1908; F. O. Watts, St. Louis, 1910; Arthur Reynolds, Chicago, 1913; P. W. Goebel, Kansas City, 1916; C. A. Hinsch, Cincinnati, 1917; R. S. Hawes, St. Louis, 1919; T. B. McAdams, Richmond, Va., 1921; John H. Puelicher, Milwaukee, 1922; Walter W. Head, Omaha, 1923, and William E. Knox, New York, the incoming president.



MELVIN ALVAH TRAYLOR

the newly elected second Vice-president of the Association, is president of the First Trust & Savings Bank, Chicago. Born at Breeding, Ky., in 1878, Mr. Traylor received his early education in the Adair County public schools. Preparing for law by studying nights, he went to Texas in 1898 and in 1901 was admitted to the bar, becoming the same year city clerk of Hillsboro, Tex. In 1904-05 he was assistant county attorney of Hill County. Mr. Traylor entered the banking business as cashier of the Bank of Malone, Tex., in 1905, and in 1907 he became cashier of the Citizens National Bank, Ballinger, Tex., later being made vice-president. When this bank and the First National Bank were consolidated, he was elected president of the First National Bank. From 1911 to 1914 he was vice-president of the Stock Yards National Bank, East St. Louis, Ill., and in 1914 went to Chicago as vice-president of the Live Stock Exchange National Bank, becoming its president in 1916. He was also president of the Chicago Cattle Loan Company from 1914 to 1919. He has been president of the First Trust & Savings Bank, Chicago, since 1919. Mr. Traylor is also vice-president, First National Bank of Chicago and director of several other institutions.

Watching the Duplicate Borrower

By C. W. ALLENDOERFER

Vice-President, First National Bank, Kansas City, Mo.

The Concentration in Clearing Houses of Records of Total Borrowings from All Member Banks Serves as an Index Whereby a Customer's Outstanding Paper May be Ascertained. Credit Bureau Plan a Valuable Service for Banks in Smaller Cities.

AS American bankers find themselves emerging from the flood of difficulties which accompanied the deflation and reconstruction period of recent years and find time and courage to take stock of themselves and their affairs, they must conclude that some portion of their losses was due to errors in their own policies and practices and not properly chargeable to "conditions."

It is not my purpose to attempt to enumerate these faults or weigh their relative importance, but I believe no list of our shortcomings would be complete which did not include our failure to learn more about what our borrowers owed elsewhere.

The number of so-called "commercial paper names" is increasing rapidly. These are borrowers whose notes are bought widely as straight investments and on the strength of their financial statements backed by some inquiry at banks where the borrower maintains balances. Naturally these statements are furnished at the season of the year when borrowings are smallest and the percentage of quick assets to current liabilities is most favorable. I believe that it would be distinctly worth while for depositary banks, as well as those who buy paper, to know more about the condition which is reflected at the period of maximum borrowings and that the amount of outstanding might be checked, in some way. But this subject is also one which is admittedly too large for more than mention in this article which will be restricted to a brief discussion of those borrowers who confine their operations to a more limited field.

Need of Cooperation

IN nearly every locality there are some men whose business is so large that the line of credit to which they are entitled is more than any one local bank should carry, and these men very properly become customers of more than one bank. While it is obvious that this division of his business must be made, the accuracy with which each of the banks can keep in touch with his affairs is reduced and the need for close cooperation and exchange of information between them begins. This is all assuming that each bank knows of all the other banks where the borrower is doing business. Where this is not known the risk is multiplied many fold.

But the practice of borrowing from more than one bank is not confined to those whose business is too large for one to handle. People in every line of work—merchants, manufacturers, farmers, professional men—are no longer as singlehearted for one bank, one

church and one political party as were their fathers. To a very large extent this division of the customer's business is not known to the bank. To illustrate: A bank examiner in our state told me recently that due to the special attention required by certain banks he had got behind in his territory, and in catching up he examined within a few days' time several banks in one county. He noticed the same names on notes in various banks and before he left the neighborhood he made a list of the duplicate borrowers. Returning to one of the banks, he reviewed part of the paper with the president, asking him particularly about each maker, whether the president was sure that bank had all of the notes he owed. The president was quite sure, but at the close the examiner pointed out more than thirty borrowers who owed elsewhere. This was a small country bank. The question will be asked, whether the bank had statements from their customers? They did not, and had they obtained them, no doubt some of this duplication would have been discovered.

A Valuable By-Product

WHEN clearing house examinations were first established it is probable that if anyone thought of one of its features at all he regarded it only as a possible by-product; but the concentration in the examiners' office of records of total borrowings from all member banks by each maker presented a fund of such value that it could not be allowed to go to waste. In one way or another this information has been made available to the banks. In many cities, probably most of them, the examiners' record serves as an index to the banks in which he has found paper of the various makers. He does not know from what other banks the borrower has obtained loans since the last examination. Nor does the examiners' record show the amount of the borrower's total liability to member banks on any one day. But with the index he has, it is not a long or difficult process to ascertain pretty accurately a man's total borrowings. About the only danger is that he owes some bank or banks who have taken the line on recently. In some cities the banks report to the clearing house examiner the name of every new borrower the day his note goes into their files. In fact, so valuable has this service become, some of the smaller cities, to which the examiner system seems too expensive, have been temporarily content to use this credit bureau plan as a satisfactory "half-loaf" until conditions will permit adoption of the full examiner plan. The

member banks get reports of duplicate borrowing either on inquiry or by an arrangement under which they are advised automatically whenever the name of one of their borrowers is reported owing another bank.

The operation of these bureaus is inexpensive and simple. Where once installed they are never abandoned.

Where Statements Fail

THE question will be asked, whether duplicate borrowing will not be revealed by the customer's statement. Yes, it will, sometimes. Most financial statements are honestly made, but they do not reveal conditions between statement dates, and the whole situation may be greatly affected by individual borrowings of company officers, or company borrowings where the individual statement is under consideration. A properly cross-indexed file in the credit bureau or the examiner's office will bring out these important related facts.

It may be contended that this is something well adapted to use in cities but wholly without interest to the country banker. Some of us do not believe this is true. Rapid transportation, chiefly by automobile, has enlarged greatly in the last few years the field in which a man can be well acquainted. It is no longer uncommon for a farmer to have accounts in banks in two or more towns. Each of the bankers knows about the assets of many farmers as well as he formerly did about a few, but does he know about their liabilities? If a group of banks serving the population gathered into a city profits by a credit bureau, why should not a group of banks serving the population in a territory having a radius of fifteen or twenty miles likewise profit?

This suggestion has received much favorable discussion but, so far as I can learn, it has been left to Missouri to foster the first regularly organized county credit bureau. Jasper County, Missouri, has one in successful operation. At present all banks in the county are not members, but about 70 per cent of the banking resources is represented. Eight per cent of the borrowers owe two or more of the banks in the bureau. When the other banks join, the number of duplicate borrowers without doubt will be found to equal 10 per cent of the total. In other communities the percentage may be higher or lower, but certainly great enough to warrant close attention, especially when it is remembered that the duplicate borrower is likely to owe each of the banks an amount in excess of the average loan in the bank.

Tuning In With Events

By ARTHUR REYNOLDS

President, Continental & Commercial National Bank of Chicago

New and Changing Problems in Banking, Business and Social Relationships Must Be Weighed, Measured and Tested Through the Application of Basic Principles of Economics, Honesty and Common Sense. Half Truths Concerning Contemporary Questions.

IN the fifty years that have passed since the American Bankers Association was organized, banking has grown in volume of business, in capitalization, in every way that can be shown by figures. But it has grown in other ways. It has grown in the business world until banking is business and business is banking. It has grown from a position in the by-ways of business to one on the highways. It has become an institution whose operations have distinct social significance. The banker is by no means a mere money lender concerned only with the financial standing and responsibility of prospective borrowers; he is an expert in business, in business methods, charged with the obligation of leading, guiding, counseling and safeguarding business. That is his external obligation. He is charged with another and equally great duty—to fit himself for the tasks he must do and to keep himself fit.

We hear it said that this is a new era. It is a new era, but in problems, not in principles. We are confronted by new and changing problems in banking, in business and in social relationships. Yet, they must be weighed, measured and tested through the application of the old basic principles of economics, honesty and common sense, that have served us so well throughout our history.

So at the end of the decade that is the end of five decades, it is fair that we pause and take a look around and ahead. It is proper that we tune in with events—get the proper wave length, cut out the interferences, avoid the statics and, from a clear atmosphere and with everything working, get the message that business is sending out of its complex and complicated vitals.

The message we must receive is not one which has to do with the movements of the day or the month or the year—not a record of the minor fluctuations. What we want is the long trend. Once that is charted we can measure the smaller changes and come to a clear understanding of their significance.

Controlling Business

IT is through proper measurement of business and its conduct that we may come into better control of it. It is by careful study of business movements that we may level the peaks of the chart, smooth out the valleys and secure an even and fair distribution throughout the years. I cannot bring myself to the belief that we are passive beneficiaries or victims of good business or bad. If there is a plague, even the

savage calls for the medicine man to stay its course. Incantations may not work, but they show resentment. But if a plague strikes business, what do we do? Perhaps we do not call for the medicine men, but somehow they appear, bringing their pots and their herbs, their wands and their cymbals, their dried snake skins and their rabbits' feet. This is the twentieth century and we have new names for these cure-alls. Instead of rattling the cymbals to scare the monster, the shout of a Wall Street conspiracy is the fear-compeller. We do not make a stew of dead toads and ragweed any more—we say, "Let's limit the power of the Supreme Court." We do not surrender to the power of the foot of a rabbit killed in a cemetery in the dark of the moon—we are modern; we say, "Let's have government ownership." And we do not conjure good crops from the soil by gifts to the demon of darkness; we call for McNary and Haugen.

The first step toward the proper measurement of events is the elimination of the mountebanks and their fallacies, their half truths, their malice and their ambitions. They are static in the atmosphere. Our receiving set must be tuned high enough to cut out such waves.

About the first thing that comes from the receiver, once we have tuned in, is the phrase, "Public Finance."

Public Finance Problem

IT is an old problem, but it has so many new trimmings that it is almost wholly new. The United States with a debt of about twenty billions and more than half the world's monetary gold is not the debtless government of ten years ago. The United States, world dominant financially, with new standards of living and labor clamorous for larger shares of wealth produced, is not the nation of 1914.

The increasing demand for luxuries which speedily become comforts when comforts have become necessities, is only one manifestation. We have constantly larger desires; in the cities there is constantly growing demand for parks, for boulevards, for buildings, for conveniences and for money to get them. In the country is a growing demand for more and better schools, for paved roads, for more motors, better transportation for culture, for art. We are running on an expensive scale. Debts are piling up. Interest and sinking fund demands are increasing. The Federal Government and the smallest political division of the most remote county are in

the same relative position in regard to such demands.

Public finance will be with us long. It has not yet vexed us particularly. It has not assumed the importance or the proportions it would have reached, if Andrew W. Mellon had not happened to be Secretary of the Treasury during the past three years. So competently have Federal finances been handled that the problem of public finance has not yet come forward in the full measure of its force. But it will.

Tuned in high enough, the next word from the receiver is "Agriculture." We are all interested in agriculture. We are interested as bankers and we are interested as citizens because we are an agricultural nation and we always will be, no matter what we may do industrially.

Agriculture's Importance

AGRICULTURE is important—very important. It is important to the farmer, but no less important to the manufacturer and the merchant—no less important to the wage earner and the nation. It is so extremely important that we have the promise of still another official and formal investigation. The new one is to be conducted by a Farm Relief Commission. An adequate and scientific inquiry into farm conditions—into the great variety of farm problems—is necessary and it will be welcome. Astonishing as it may seem, the business of farming is one about which we know very little and we know a great deal that is not so.

The farmer's stress and strain is not a new experience for him. In 1879 he suffered and recovered. The magic of the medicine men accomplished nothing then. It was short crops in Europe and demand from abroad. In 1896 and prior thereto the farmer suffered. Wheat at 54 cents failed to react to the prescription of free silver, but a crop failure in India and demand from Europe carried it to a price that meant profit. Last year the farmers of Canada had their turn. But this year it is ours.

For four years the spread between the prices of agricultural and industrial products has focused attention. Of the price disparity there is no question. The spread is diminishing. But the medicine men have short memories. They have forgotten that the price of agricultural commodities doubled between 1896 and 1910. The average price of farm products increased much more than the general price level. They have been comparing the 1921-24 prices

with those that prevailed during the artificial war period rather than the period before the war. They have been excited about the exodus from the farms and taken no notice of the consequences.

Future of Farm Prices

CITIES are going to continue to grow and grow rapidly. There is now one urban dweller to one rural. This proportion will change as it has been changing. What will happen? There will be a greater demand for food products. The farms must feed the cities. It is the opinion of the ablest economists that not only will the present disparity disappear but farm prices will pass beyond the general commodity price level.

For a long time the increase in the production of agricultural commodities has been far more rapid than the increase in the number of farm workers. This is the result of better methods, more machinery, scientific education and finer understanding of the great business of farming. In this the bankers have been helpful. But the work must be carried much farther. In an industrial population of 10,000,000 we find some 700,000 managers—managers selected for performance under strong competitive conditions. In an agricultural population of 10,000,000 we find 6,000,000 managers, not selected but self-appointed and with no rivalry or competition at all. The farmers have got to learn to be managers. Those who do not are destined to remain in the position of selling their labor in the form of products; they will be not farmers but laborers.

We have farmers now who are laborers. It is this that makes the farm credit situation so difficult. On the theory that the farmer was inadequately supplied with credit facilities, efforts have been made to give credit facilities even to those farmers who are laborers. We have established farm land banks, joint stock land banks, intermediate credit banks, cooperative credit associations; we have made available the resources of the War Finance Corporation and we have had special relief organizations. All have done business but they have dealt only with solvent farmers. They can deal only with solvent farmers. Dealing with insolvent or even half solvent farmers has caused much of the trouble. The wrecks of the banks that tried it are strewn along the reefs. The losses have not been borne by the farmers alone; the banks have shared in them and shared heavily.

New Problems Ahead

AS city population grows and the demand for food increases, the country will develop new agricultural problems. One, and a most important one, will be the determination of what crops shall be grown for the home market and what for export. Decision of this case will involve study of costs and markets and may affect our tariff policy.

But we hear another term—not entirely new and somewhat hackneyed—cooperative marketing. I like the idea of cooperation and some efficient and practical marketing methods are in use under the head of co-

operative marketing. Under its cloak all sorts of cure-alls are frequently proposed. No one could object to the term so long as it proposes and provides adequate and economical marketing and efficient marketing machinery. That is a question of management, not managers. In discussing the long range tendencies, I cannot see that it makes much difference who manages the marketing. But it makes a vast difference how it is managed.

Europe is just beginning to emerge from economic chaos. The Dawes plan, which is a step that points the way toward a solution, will be in operation. It will operate if permitted, and it will be permitted. Europe has taught us that politics and politicians cannot solve economic problems. We may be gratified that bankers had a prominent part in pointing the way for economic order in Europe, but we must not forget that economic reconstruction there will be gradual. The way is long and paved with difficulties. We shall have a share in the benefits of economic peace and order abroad. But already we are fearful of competition.

Fear of Competition

COMPETITION should not frighten us. A loan of two hundred millions to Germany, or five times that amount, is not going to place Germany in a position to flood our markets with goods at killing prices. It is true that Germany has mills and factories, shipyards and docks, labor and machinery, that she has paid her bonds and mortgages with depreciated marks, but—Germany has no credit and no credit organization. With all the help she can get, she will be a long time in winning back her credit position.

Germany will need raw materials and for raw materials she must look to this country. Possible German competition in our markets will be more than offset by the stimulation of business in our raw materials. And every nation in the world will be better for Germany's economic restoration. The return to world prosperity will be gradual and it will be to our great and particular advantage.

An efficient transportation system is, of course, necessary to foreign trade—to all trade. The so-called railroad problem has many angles. We will find at the bottom of it—as the elements of it—the need for adequate transportation facilities, for reasonable rates, for reasonable wage scales, for reasonable regulation, for reasonable returns to the investor, for reasonable honesty in discussing the problem—all to the end that the railroads may have a credit standing so that their facilities may keep pace with or be in advance of the demand upon them for service.

For two years, at least, transportation efficiency has been a strong factor in easy money rates. Speed in the delivery of merchandise will continue to be a factor of great significance this year.

Money rates have been affected also and chiefly by the continued inflow of gold but regardless of causes there has been no cessation in the demand for capital. The demand will increase. It will increase because of the necessity of enlarging the na-

tion's machine plant. The number of industrial workers has not grown in proportion to the number of machines or in proportion to the output of goods. As we go on producing more things and new things, the demand for more capital, both at home and abroad, will hold strong. In this country we shall need capital of all kinds. Germany needs liquid capital. Russia needs machine capital. Mexico, China and South America will need machine capital.

Endless Need of Capital

WE shall need capital and more capital because capital wears out. It is still true that "capital, though saved, is nevertheless consumed." If we are to progress, there must be a fuller use of capital. We must save.

A good many persons fail to distinguish between capital and capitalism. Capital is the tool. Capitalism is the system. Ours is frankly a capitalistic order. Its very foundation is the right of private property, free enterprise and free competition. Those are the vitals of the capitalistic system. Would we give up any one of them? I think not. The fiasco in Russia and half-hearted experiments elsewhere might have convinced us of the correctness of our system if it had not already proved itself. It is capitalism that offers us—every one of us—the democratic right to succeed or fail. It is distinguished from the autocratic method with a few men in command and success dependent on their being supermen.

Therefore, in viewing the present and future demand for capital, in reaffirming our belief in the capitalistic order and recognizing that capital is the product of saving, we come to the problem of the relation of banks to capital. I have no patience with the notion that capital is supplied only by some few individuals of great wealth. That is merely patter from the soap boxes. Capital comes from the millions of small savers and from the surpluses of business enterprises.

No statistics need be cited to prove the diffusion of the ownership of capital. Look at the list of the stockholders of any great industrial or railroad corporation. Look at the list of 178,000 stockholders of the United States Steel Corporation. There is no such thing as a capitalistic group. If we needed an example of free enterprise, free competition and free contradiction, we might look at the labor banks. Many of the very men and organizations who are reputed to favor the disintegration of the capitalistic system are a part of it. If their banks are to succeed, they must run them according to approved banking methods. It does not matter who owns the corporations, the banks, the railroads or the marketing machinery. Diversified and diffused ownership will bring home to the owners—whoever they are—a realization of their interest in capitalism and of their real contribution to the financial, industrial and social stability of the nation.

Credit System Bulwarks

THE Federal Reserve Act is the most momentous piece of legislation of the century. So far it has withstood all as—
(Continued on page 270)

Agriculture and All Business

By EDWIN T. MEREDITH
Former Secretary of Agriculture

Fundamental to Every Form of Trade Activity. Increase in the Number of Commercial Concerns Shows a Relation to Increase in Acreage of Cultivated Land. General Prosperity and the Farmer's Purchasing Power. Instability of Farm Conditions.

THE subject is "Agriculture, Its Relation to All Other Business." I believe that agriculture is actually, positively fundamental to all other business. I quote from the Apocrypha written 290 years before Christ:

"How shall he become wise that holdeth the plow, that driveth oxen, and whose discourse is of the stock of bulls? He will set his heart upon turning his furrows, and his wakefulness is to give his heifers their fodder. All those put their trust in their hands. Without these shall not a city be inhabited, and men shall not sojourn nor walk up and down therein." Without these farmers not a city shall be inhabited.

And it goes on to say: "But they shall not be sought for in the councils of the people and in the assembly they shall not mount high, and they shall not sit in the seat of the judge, and they shall not understand the covenant of the judgment. Neither shall they declare instruction and judgment, and where parables are they shall not be found, but they will maintain the fabric of the world, and in the handwork of their craft is their prayer."

It seems to me that from 290 years before Christ down to date is too long a time for men and women generally to say that agriculture is fundamental, that agriculture is important, and that, of course, we know when agriculture is depressed other business is depressed, and then go away and leave it without interesting ourselves in some way to find the answer, to in some way help agriculture and do the things that will protect it, thereby putting a solid, sound foundation under the rest of industry and labor.

Agriculture is so fundamental that the opportunity to go into business in this country has come through agriculture.

Starting back in 1870, the black line on the accompanying chart is the number of acres of improved land. The dotted line represents the number of business houses in the United States, and those figures are as follows: In 1870 we had 175,000,000 acres of improved land in the United States and 425,000 business houses. Ten years later we had increased the number of acres of cultivated land to 275,000,000 and the business houses had increased to 750,000. In 1890 the cultivated land was 375,000,000 and the business houses 1,100,000. In 1920 we had in round numbers 500,000,000 acres of farm land in the United States and 1,800,000 business houses. In other words, the increase in the number of business houses has come along with the increased acreage of cultivated land in the United States.

I AM not going to argue with the man who says that the business house supports the farm and that without the business house the farms could not have survived. It is a question of the new wealth that comes out of the soil, wealth which goes into the channels of trade, that gives business men an opportunity to do business and to start other business institutions.

In 1870 there was a business house in the United States for each 425 acres of land, less than a section of land, and a business house for each one. But in 1880 there was a business house of some kind in the United States for each 375 acres, and in ten years we had reduced that by 25, and there was a business house for each 350 acres in the United States. In 1910 we took off 50 acres more, and there was a business house for each 300 acres, and in 1920 there was a business house, large or small, in the United States for each 275 acres of farmed land.

It is without doubt true that, as the agriculture of the country became more intensified, better methods came into general use, and the farms became better equipped with machinery, each farm could more easily support its business concern. If it is a fact that the conditions in agriculture are reflected in business, and we have one business concern to each 275 acres, an added income to each of these farms must affect very decidedly the business conditions of the country.

If our premise is correct, it would seem to follow that the average of what happens on each 275 acres of improved land in our country from year to year must be the average of what happens to the business houses of the country from year to year.

It is not the price of one crop or the condition of an individual farmer or even the situation with any one class of farmers any one year, but the total aggregate trading value of the farmers' crops as a whole that tells the story for the country. If the farmers of the country receive only \$1 more per acre than the average return, the conditions for business and labor are better, but if the farmers receive \$1 per acre less in any year than their average return, depression follows. This is positively proved over the entire period since the Civil War.

Average Return Per Acre

TAKING the return in dollars per acre of improved land since 1866, we find an average of \$14 an acre for every acre in the United States for the whole period.

During the same period there has been an average of ninety-five failures a year to each 10,000 business concerns. By using these two—\$14 return to each acre and ninety-five failures per year for each 10,000 business houses—as a base line, and by making a chart superimposing a line showing farmers' income and also showing the business failures each year, we shall then have the relation of the two very clearly before us. (See Chart.)

The condition in 1866 reflects the unsettled currency situation immediately following the Civil War. Commencing with 1868, we find that the crop return and the failures are practically together. We find that during 1868-69, up to 1871, the return to agriculture was above the average, running up to a little less than \$16 an acre. During the same time you will note that the failures were below the average, running down to sixty to each 10,000, one-third less. During 1871 and 1872, there was a decline in the return to agriculture for each acre, and an immediate increase in the number of failures, the two lines crossing the base line at practically the same point. During 1874, 1875, 1876 and 1877, agriculture was below normal and failures were very much above normal.

It will be noted that from 1884 to 1904, a period of twenty years, the return to agriculture was always below the average and that during this period the failures were above the average. In 1907 and 1908 agriculture received more than an average return and the failures went below the average number, except the latter part of 1907 and the early part of 1908, which was the result of the financial panic of 1907, wholly unrelated to any fundamental cause, the cause of the panic really having its seat in Japan.

It will be noted that as agriculture was getting more than the average return, business very quickly recovered from its own indigestion. A similar situation arose in 1915, so far as business was concerned, no doubt because of the war. From that point to 1918 agriculture received an increasing return and the failures constantly decreased. In 1918 agriculture suffered a decline, continuing until 1921, and at almost the exact point failures commenced to increase. In the latter part of 1921 agriculture took a turn for the better, going from an average of \$15 per acre in that year to an average of about \$19 per acre in 1922. The effect upon business was immediate.

Our experience of the last two years clearly demonstrates the working out of this principle. In 1921 business of all kinds experienced the most serious reversal in

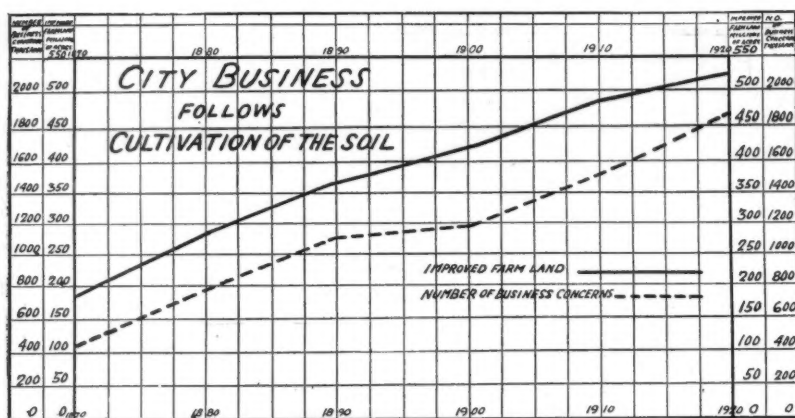


Chart No. 1

years. In December of that year farm prices began to recover slightly, and by March, 1922, the increase in farm prices was such as to increase the value of the unsold crops from the 1921 harvest yet in the hands of the farmers by \$500,000,000 for the North Central states alone. Business in general responded to the improved condition of agriculture. At the end of 1922 a review of the situation showed that the farmers' income for the year had jumped from \$12,402,200,000 received in 1921 to \$14,310,200,000.

It is true that the business failures were still out of proportion in 1922, but a careful study of the situation shows, and I believe any banker will bear me out in this, that many of the business failures recorded in 1922 really belonged to 1921. In other words, many of the failures actually occurred in 1921; but because of the mobility of our credit system and the earnest desire of our bankers to save every business possible, many 1921 failures were carried along into 1922 before it was necessary to actually declare insolvency.

It must also be remembered that the effects of better conditions in agriculture are reflected in business during the following twelve months, and the better business conditions in 1922 are a reflection of the advances in prices after Jan. 1, 1922. The better conditions in 1923 are a reflection of the 1922 crop value, the farmers having received for the 1922 crop two billion more than they received for the 1921 crop. The effect of return to agriculture on business conditions is positive.

When All Prosper

WHENEVER agriculture is in the market, whenever agriculture has a purchasing power in this country, business men prosper as against the conditions when agriculture is not in the market, and the chart of actual experience is as conclusive as a life insurance table.

It is a fact that a dollar an acre is enough to spell the difference between success and failure for your customers, whether or not they are going to pay your loans. A dollar an acre makes very little difference to the farmer himself. If he has 100 acres, he has \$100 more; it does not make him rich, he cannot buy an automobile with it. If he has got 100 acres and he gets a dollar an acre less, the lack of \$100 does not make

a pauper out of him, but that \$100 is five times, six times, eight times as important to you and to the men and women in town, to those who are your customers, to those to whom you have loaned your funds, to those of whom you expect to collect interest and to collect principal. And why?

The farmer has his money but once, and when he spends it it is gone, but when it gets to town it keeps going from hand to hand. Suppose a farmer had \$300 and he bought an acetylene gas plant. The acetylene gas man says, "I must have alloy," and he buys alloy to make the parts of his machine. The alloy man says, "Business is picking up. I guess I will use the addressing company to circularize my prospects," and he does, and the addressing company buys an adding machine, and the adding machine company advertises and somebody in the agency gets enough business to buy a house and needs an abstract, and the abstractor takes his wife to the movies. Where would the movie man ever have got his dollar if it had not come down that line and if it had not started in the country with that farmer?

Tracing the Dollar's Pedigree

IF you do not sell to the farmer, you sell to the man who does. The cities' prosperity is second-handed to most of us. Trace back the pedigree of a dollar, and you will not go far until you find a farmer as the foundation giver.

The farmer is in the market all the time, every year, for merchandise, equipment, supplies; whether he actually makes net profit or not, his turnover is enormous.

Some men say, "Oh, well, if the farmer is depressed we had better not go after his business." You might just as well say that if the Pennsylvania Railroad is not earning large dividends, or if the Northwestern Railroad is not experiencing the best of business, or because some big automobile concern finds it difficult to finance itself, but is in the market for 100,000 tons of steel or a million tons of coal or something else, you will not try to sell them. The Pennsylvania Railroad is going to be one of the biggest customers in this country for the next ten years, even though it should land in a receivership at the end of the ten years.

There are six and one-half million farms in the United States, each one in reality a

small factory. Altogether they are going to spend ten, twelve, or fourteen billion dollars a year just to keep going, no matter whether they make money or not, no matter whether they have a surplus or not. Of these farms tens of thousands will need, for instance, a chicken yard, just a chicken yard, but to build it they will need some woven wire, they will need some nails, some paint and lumber. Altogether it will cost, say, \$50. Well, an order for even 100,000 chicken yards at \$50 makes a nice order; and 100,000 is but one-half of 1 per cent of the possibilities. Some of these farmers will need a little strip of wire here and there, and then a lot of roofs will leak on barns and houses, and they will need some new window glass and they will need some new shoes and hats and coats. Throughout the whole year they need large quantities of foodstuff; breakfast foods, flour, soap and canned fruits and supplies of all kinds. There are eleven million men, as many women and twenty million children on these farms, and they all buy or have things bought for them.

Are they buying—these people with their twelve, fourteen or sixteen billion dollars; people who have to have new equipment and food and clothing and hundreds of different lines of merchandise?

They have bought the major portion of all the automobiles.

The average farmer has more machinery, so far as the product he turns out and the length of life of the machines is concerned, than any one else; very much more in proportion.

He has \$3,600,000,000 invested in machinery, and if the life of it is ten years, then he must pay \$360,000,000 a year for renewals on his machinery alone.

He has \$11,000,000,000 invested in farm buildings, and if they last forty years, he has to put more than \$250,000,000 a year in building just for replacements, to say nothing of money spent for additional buildings.

Of the six and one-half million farms in the United States, 644,000 of these farm houses have running water, and that is only 10 per cent. There are nine times as many yet to serve.

There are 453,000 that have gas or electricity in their houses.

That is only 7 per cent. There are 93 per cent yet as a market.

There are 132,000 motor trucks and 229,000 tractors—2 per cent and 3 per cent. There is fifty times as big a market as has yet been served. There is the market for carpets, pianos, clothing and other things. This gives some idea of the relation of agriculture to all other business and the field the farmer offers as a primary market.

The only way money comes out of the channels of trade in the cities is when somebody says, "I want wheat, I want corn. I want cotton, I want wool, I want milk, butter," and it goes back into the hands of the farmer. If he puts it back into the channels of trade to pass from hand to hand until we need food again, then business is good, and that is proved by the chart.

Incomes Not Seasonal

IHAVE had men say to me that the farmer gets all his money in the fall. I am not going to go into the figures, but in this great central territory—from Ohio

to Oklahoma—the farmers of that territory get their income almost as regularly as though they were on salary. There is no month in which they get as little as 7 per cent or as much as 10 per cent of their entire income from all sources for the whole territory. In other words, they do not sell their corn in the fall; they do not take in all their money at that time.

Bankers put a lot of emphasis on wheat. I have known some who were all worked up over wheat being off ten cents a bushel. What does ten cents a bushel on wheat mean. It means six-tenths of 1 per cent of the farmers' income in the United States. The farmer gets three times as much for milk as for wheat—\$700,000,000 or \$800,000,000 for wheat, as compared with \$2,400,000,000 for milk. He does not get his milk money all in the fall; he gets it every week the year around.

In the Spring of 1922, according to the crop estimates of the Department of Agriculture, the farmers of the Central states, not the whole United States, had on hand enough grain so that the advance in the price of grain alone between Jan. 1 and March 1 of 1922 was \$509,000,000. That means the farmers of these few states could have gone out with this increase in their wealth and bought twenty-three of the biggest financial institutions in the United States. That \$509,000,000 was increased value in three months as a remnant of their crops; it was twice as much as all the net income of all the national banks of all the United States during the same year. That \$509,000,000 means something when put into the channels of trade to go around three, four, five or six times.

Not Only Bank Failures

WE have worried about the number of banks that have failed; 538, I believe, was the number last year. There were 19,000 business houses that failed in 1921; 23,000 in 1922, and 18,700 in 1923. The banks that failed and the business houses that failed were affected by the same thing exactly. That is the condition in agriculture. The one thing that saved us, in my judgment, from soup houses, panic and harder times than we have imagined, is the fact that the farmers of this country for their grain and livestock got practically a billion and a half dollars more in 1922 than they did in 1921, practically another billion and a half more in 1923 than they did in 1922, and this year between a billion and a billion and a half again more than they got last year.

It is this additional purchasing power, this difference of \$2 to \$3 an acre, that spells the salvation of the business interests of this country.

I could not bring myself to support the McNary-Haugen bill, and I am not for it, but when I ask bankers, "What is the trouble with the farmer?" nine out of ten will say (and I do not like it): "He has bought too many automobiles." Where would you be, where would Detroit be, where would the steel business be, where would the rubber industry be, where would the paint people be, if the farmer had not bought the major portion of the automobiles sold in this country? If a farmer is not entitled to a modest car, living in the country, as against the business man living in town with a Packard

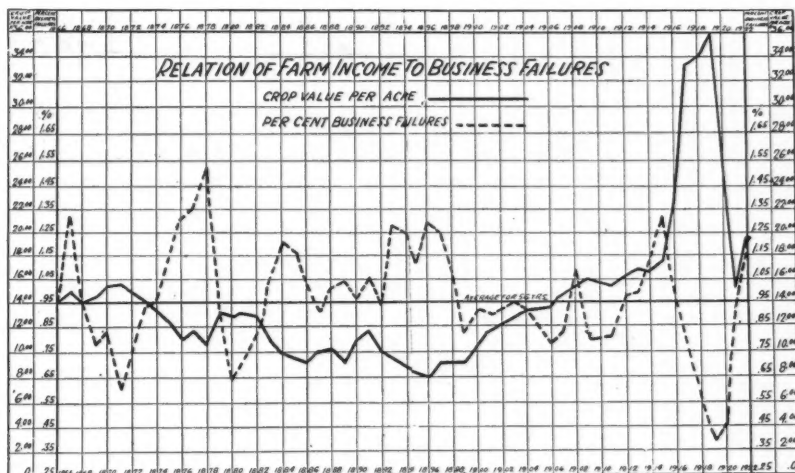


Chart No. 2

or a Pierce-Arrow, then if I were a farmer, I would move to town.

It is not that he has bought too many automobiles. And then it is said, "Why, he has speculated." I honestly believe that as many farms were bought in Iowa by bankers during the speculative period as by farmers, because the banker came in touch with the bargains—they had the money. But what did they do in Iowa, the seat of the peak of the speculation? In Iowa, going back ten, fifteen, twenty years, almost 5 per cent of the farms changed hands every year in normal times. That is normal. That is not speculation; it is just as banks change hands. During the peak of this speculative period 10 per cent changed hands. At this rate it would have taken twenty years for the farms of Iowa to have changed hands through speculation.

Painful Adjustments

I GET more out of patience with the statement that the situation will adjust itself than anything else. How? By bankruptcies in the city; by banks failing; by business houses failing, and so on. And then when "the situation has adjusted itself" and the farmer is prosperous, we will go through a few more years and then repeat the operation again. Why not look the situation in the face and see what can be done to prevent these constantly recurring periods of depression.

Again, you say, our trouble is all due to the war. The war certainly has entered into the situation, so far as the farmer and his market is concerned, just the same as it has in every other line of endeavor and every other business, but if the war is wholly responsible, how does it happen that this thing has happened before? How does it happen that the farmers saw hard times back in 1873 and back in 1886, and again in 1893 and 1900, and then again in 1922? There were no wars to affect conditions in all those years.

But here is the condition that I think is responsible. I have grouped the periods from 1870 to 1920 into ten-year periods. I have taken wheat and I have taken the highest price and the lowest price on the farm as

given by the Department of Agriculture, on Dec. 1, during each arbitrary ten-year period. If I did not wish to be more than fair I would have taken the highest price and the lowest price some time during the year at Chicago, where there is more fluctuation, and I would have taken the city price instead of farm price and the lowest and highest during the year, instead of a fixed date every year. Let me make it clear that I have taken the same date throughout the whole period, Dec. 1, and not the city price but the price on the farm during the first ten-year period and then the next and so on.

Price Fluctuations

DURING the first ten-year period the farmers received as high as \$1.14 for wheat and as low as \$.77. Now suppose a manufacturer was selling engines, or some other article, and that his price was \$114, and his bank made him a loan, based on a margin of profit and a cost of operation that he and the bank had discussed and both knew. Then something happens and he has to sell his output for \$77 instead of \$114. He goes into the hands of a receiver and the bank loses.

In the next ten-year period the farmer receives for wheat as much as \$1.19 per bushel and as low as \$.64 per bushel, practically a 50 per cent fluctuation. The same thing in business would ruin us again. In the next ten years, 1890 to 1900 he received as high as \$.88 cents and as low as \$.40. In the next ten years as high as \$.98 and as low as \$.62. In the last ten years, since 1910 to 1920, as high as \$2.14 and as low as \$.76.

To my mind that fluctuation, that unstable condition, that lack of a business basis, the impossibility of his forecasting what he is going to get for his labor, have a good deal to do with whether or not the farmer meets his bills, whether he pays his loans, and whether the banks go broke. It certainly determines his purchasing power.

Corn during the period from 1870 to 1880 sold as high as 58 cents and a fraction and as low as 31 cents, just half as much practically. And then in 1880 to 1890 the farmer got 62 cents a bushel and as low as 27 cents.

(Concluded on page 284)

Federal Reserve Balances

Economic Policy Commission Reports That Congress Acted Wisely in Defeating the Fulmer Bill Which Provided for the Payment of Two Per Cent Interest to the Member Banks. System's Earnings Are Not Adequate to Bear Such Burden.

CONGRESS acted wisely in rejecting the Fulmer bill, which would have required the Federal Reserve system to pay 2 per cent interest on reserve balances to member banks. This was the judgment expressed by the sub-committee of the Economic Policy Commission of the American Bankers Association in a report submitted at the Chicago convention. The sub-committee, which consisted of R. S. Hecht of New Orleans, chairman; Craig B. Hazlewood of Chicago and Walter S. McClucas of Kansas City, found after a study of the situation as follows:

Why should not the Federal Reserve Banks pay interest on reserve balances of its member banks?

This question continues to be asked by national as well as by state banks, and the fact that such interest is not paid has frequently been used by some state banks as an argument for staying out of the system.

The purpose of the Fulmer bill, which was introduced during the past session of Congress, was to force the Federal Reserve Banks to pay such interest to all of its member banks. The bill failed to pass, but it caused a good deal of discussion in banking circles, and the Economic Policy Commission continues to be asked again and again to express its views on this subject.

Findings of the Committee

YOUR sub-committee appointed for the purpose of studying this question and preparing a report for the Commission believes that Congress acted wisely in not permitting the Fulmer bill to pass, and bases its opinion upon the following facts:

First—The amount of interest usually expected and which was provided for by the Fulmer bill in 2 per cent on all balances carried with the Federal Reserve banks. Your committee feels that this would be impossible in practice and undesirable in theory; the latter because the Federal Reserve System was created for the purpose of mobilizing bank reserves and not as a money making proposition. The System should by all means be strictly limited to the purpose for which it was called into existence.

Second—In practice it would be impossible to pay interest on all balances carried with the Federal Reserve banks because the normal earnings of the Federal Reserve banks are entirely inadequate to assume any burden such as is proposed. In the year 1923 the average balances carried by member banks amounted to \$1,875,066,000. Two per cent on this amount would be \$37,501,320. The average earning assets of the Federal Reserve banks in the same year amounted to \$1,172,061,000 and the average rate of earning was 4.33 per cent, which would be equivalent to \$50,750,241. Obviously, the difference between the \$37,501,320 and \$50,750,241 would not be sufficient to pay the overhead of the banks as well as the 6 per cent dividend to the stockholders.

In the first half of the year 1924 the twelve Federal Reserve banks earned \$20,403,180, while the current expenses for the same period were \$14,703,361. The average member bank reserve deposits in the first six months of 1924 were \$1,949,781,000, and 2 per cent of this is \$38,995,620; hence a 2 per cent interest requirement for six months would be \$19,497,810, or only \$855,610 less than the earnings of the System for the six months period before deducting expenses.

It is true that in two or three years during the war period and the period of inflation immediately following the war, earnings of the Federal Reserve System might have sufficed to pay interest on

balances, but it is not to be anticipated and certainly not to be hoped that we shall have an early repetition of such abnormal conditions.

Third—Funds kept in the Federal Reserve banks by the member banks should be reserves in fact as well as in name, and they should be employed only when needed and should not be loaned out merely for the purpose of making a profit.

Fourth—As matters now stand, the only temptation on the part of the Federal Reserve System to expand its loans unduly is for the purpose of meeting its expenses and dividend requirements. On the whole, however, its policies can be shaped with the primary object of looking out for the public good, and the System is unhampered in the exercise of its discretionary control over the expansion and contraction of credit without too much concern over its earning power. As made clear in the second section, this condition would be completely reversed if the Federal Reserve banks were compelled to pay interest on balances.

Fifth—If interest had to be paid on reserve balances the Federal Reserve banks would necessarily have to expand largely their loans and go out into the open market to compete with member banks for acceptances, government securities and other investments even more than is the case at present. This would, in the nature of things, result in creating very undesirable competition, and we believe would seriously disturb banking conditions. Member banks would be certain to complain if the Federal Reserve banks went out to initiate business in order to earn money in competition with them, and we believe that the criticism which would result from such action would be far more serious than the present complaint of member banks that their reserve balances yield them no return.

Sixth—We believe that in the last analysis it is far more important to the member banks to know that we have a strong and liquid Federal Reserve System to which they can go for accommodation when necessary than it is to receive interest on their reserve balances.

Favor Dividend Increase

FINALLY, your sub-committee believes that if the earnings of the Federal Reserve banks continue to be good, and it is the purpose to do something to make membership in the Federal Reserve System more attractive in a financial way, then it had better be done by an increase in the allowable dividend rather than by payment of interest on reserve balances. It would certainly not be unsound in principle to change the present provision of the law, limiting dividends to 6 per cent and permitting a somewhat larger distribution, if earned (after a certain amount has been paid over to the Government as a franchise tax).

Your sub-committee has been asked also to consider the suggestion made that "cash in vault" be permitted to be counted as part of the member bank's reserves. Your committee feels that there is nothing unsound in principle in such a procedure, and the objection to it is that the framers of the present law fixed the actual reserve requirements at a substantially lower figure than had been considered necessary for the conservative conduct of banking up to that time. If the law were now changed to permit the cash carried in the vault also to be counted as part of the reserve it would amount to a further reduction in the reserve requirements, and your committee doubts the wisdom of agitating this question further just at this time, especially since it is undoubtedly a fact that the actual amount of cash carried in the vault of member banks is

serves and is usually held down to the very minimum of a bank's everyday requirements.

The fact is that the Federal Reserve System has materially reduced the amount of reserves carried by banks in this country. On June 30, 1914, national banks carried 11.9 per cent of their gross deposits in the form of "cash in vault" and carried with their correspondents 16.2 per cent of their deposits, making a total of 28.1 per cent. State banks at the same date carried as "cash in vault" 6.7 per cent and with their correspondents in other cities 14.8 per cent, making a total of 21.5 per cent. On June 30, 1922, national banks carried "cash in vault" 2 per cent, with correspondents 7.6 per cent and with Federal Reserve banks 7 per cent, making a total of 16.6 per cent, as against 28.1 per cent on June 30, 1914. Member state banks carried on June 30, 1922, 1.5 per cent of their deposits as "cash in vault," 4.4 per cent with their correspondents, and 7.4 per cent with Federal Reserve Banks, making a total of 13.3 per cent, as against 21.5 per cent on June 30, 1914. It is, therefore, clear that the Federal Reserve System has not compelled member banks to carry an excessive amount of reserves. Even non-member banks have profited owing to the fact that they are more certain in times of crisis of receiving assistance from their city correspondents, and as a result non-member banks carried on June 30, 1922, as "cash in vault" 3.3 per cent of their gross deposits and 12.7 per cent with their city correspondents, making a total of 16 per cent as against the 21.5 per cent carried by all state banks on June 30, 1914.

The Commission, however, makes the suggestion that the Federal Reserve Board be requested to change its regulations so that member banks be allowed to include cash carried in vaults in the items deducted from gross deposits on which reserves must be carried. It seems to the Commission rather unnecessary for banks to be required to carry a reserve against cash which actually may be in the form of gold itself. This, of course, is a very different matter from deducting the cash in vault from the total of the reserves themselves.

Getting Bank Costs

THE Federal Reserve Board has been endeavoring to obtain details relative to the operating costs of its banks. George R. James, as chairman of the committee having charge of salaries and expenses, has been touring the country conducting an inquiry into this matter.

"The details gathered are to be used in getting a uniform system of accounting and the establishment of a budget for the operating banks and branches," Mr. James stated recently on the Pacific Coast.

National Bank Note, the Solid Core of Our Currency

By MAX B. NAHM,

Vice-President of the Citizens National Bank, Bowling Green, Ky.

Stoppage of Its Circulation, Which is Now Nearly \$750,000,000, Would Mean the Depletion of the Federal Reserve System's Resources. Its Value to the Banker as Advertising Also is to be Considered, While Its Profit to the Government is Important.

NATIONAL banks and national bank circulation have at all times been a profit to the Government. The national bank system was started in 1863 under the administration of Salmon P. Chase, then Secretary of the Treasury, and its purpose was to afford a market for United States bonds and to furnish the money with which to finance the war. After the war was over the high rate war bonds were refunded into lower rate bonds by means of bank circulation, and let me say that this circulation has at all times been the means of reducing the interest upon United States bonds.

In the Spanish war bonds were issued and in 1900 under Lyman J. Gage, then Secretary of the Treasury, the high rate war bonds were refunded into the 2 per cent consols as they are called or the consolidated refunding debt of \$600,000,000.

Then still later in 1906, the Government obtained the money with which to build the Panama Canal at 2 per cent, by means of the circulating privilege. Now even at the rate of 2 per cent, which is low, the Government exacted a tax of half a per cent thereby reducing the rate to 1½ per cent, and upon the 4 per cent bonds a tax of 1 per cent, thereby reducing the rate to 3 per cent. This tax provided the Government in 1923 with \$4,000,000, a clear profit of over \$3,000,000, and from 1863 up to 1923, the total profit to the Government by means of circulation has been \$163,000,000. So the circulation has at all times been a profit to the Government.

Recently Assistant Secretary of the Treasury Dewey asked the investment bankers to help hold down the interest of Government bonds so that the Government might have a program under which it could pay the whole debt in twenty-five years. Just here we might mention that there are no bonds in the whole Government system bearing so low an interest as those having the circulating privilege.

A Profit to the Bank

NOW, on the other hand, the circulation has always been a profit to the national bank. No doubt, the incorporators of banks when they considered the various systems under which they can operate considered the question of circulation. Why it is an advertisement to the bank to have its officers sign Government money and put it out in the community!

Further than this, this circulation is a profit to the bank, a profit of from one-third per cent to 1 per cent, varying with the premium paid upon the bonds and varying with the rate of interest upon the reserve laid up with the treasury. And after the premium of the bonds has been charged off, which should be done as rapidly as possible, then the circulation is an annuity to the bank of \$1,187 a year upon the hundred thousand.

Now the volume of this circulation is \$726,000,000 and that has not changed much in the last ten years. About 90 per cent of the banks have got a little over 55 per cent of the circulation, as an average. The total eligible is \$793,000,000, being these 4 per cents which the Government contemplates calling in next year of \$118,000,000; the consolidated refunding debt of consols of \$600,000,000, and the Panama Canal bonds due in 1936 and 1938 of \$75,000,000. Federal Reserve notes of \$2,207,000,000 were out on November 1, 1923, and that together with these bank notes out make \$2,933,000,000, consequently the bank notes are nearly one-quarter of the total notes out.

Now, what is the relation between the Federal Reserve Banks and the national banks? Why, all the national banks must belong to the Federal Reserve. The state bank may belong, and may retire. There are 18,000 banks in the System. Of the 22,000 state banks, there are only 1600 in the System, one-fourteenth of the whole amount. So there are five times as many national banks in the Federal Reserve System as there are state banks.

Only Through the National Banks

IF, as has been said, it is desired to carry the benefit of the Federal Reserve to the country communities and the agricultural communities, you can only do it through the national banks because they are the only ones in small communities that belong to the System.

Who supports the Federal Reserve? Why, the national banks put up all of their resources, \$22,000,000,000. The state banks with resources of \$33,000,000,000 only put up about one-third, \$12,000,000,000.

The interest of the state bank and the national bank in the Federal Reserve is just the same. The Federal Reserve is functioning perfectly because it was funda-

mentally sound in its inception. It functioned during the great war and the abnormal conditions following the great war without the slightest trouble. Originally it was intended that only the national banks and those state banks that conformed in the provisions of their charter to the National Banking Act, should belong to the Federal Reserve, but in 1917, because of a war necessity they allowed state banks which did not conform to belong to the System. That emergency is over now and still national banks are compelled to compete with state banks that have far more liberal charters and only bear part of the burden.

If the currency of the Federal Reserve is established (and it is because they can issue two and one-half times their gold reserve and because they can issue notes upon commercial paper, and thereby expand and contract); if it is elastic, it is elastic for both the state and the national banks. If monetary panics like that of 1907 are completely eradicated by the Federal Reserve (and they have been) why it is just the same for both. If relief is afforded in times of stress, it is just the same for both. And if the Federal Reserve should fall, it would be a disaster to all.

What is the remedy and what are you going to do about it? The Federal Reserve must continue. There is no doubt about that. If the Federal Government persists in its course, if it is going to redeem these bonds (\$118,000,000 next year) and if it is going to redeem all of the other bonds upon which circulation is predicted, if we have not settled this itching sore of the branch bank (and I think we have), if we take away the various profits that the national banks have had in circulation and otherwise, then how on the face of the earth, with the National Bank system being weakened, are you going to maintain your Federal Reserve?

Voluntary Membership a Dream

I FOR one, do not credit for a minute this idea of a voluntary membership in the Federal Reserve. It is a theory and iridescent dream and would produce possible disaster.

There are only two remedies. One is that we must make the National Bank system more attractive and so amend the Federal Reserve Act and the National Bank Act, or

(a thing we do not want to do) enact some sort of law that would drive them all into the Federal Reserve.

What is best to do about it? It is true that the National Bank notes are rigid and cannot expand and contract and do not meet emergencies. That is true. It is true that the Federal Reserve Bank notes are elastic and do meet requirements by expansion and contraction, but it does not follow that you must entirely cancel the one and adopt the other—not at all. The Federal Reserve notes are four-fifths of the total amount of the National Bank notes, and about this other one-fifth as a solid core, if you please, without resiliency, the four-fifths Federal Reserve notes may expand and contract and meet all emergencies.

There is a danger in contracting the Federal Reserve, and that danger is just this.

You may kill the goose that laid the golden egg if you do not look out. If you absolutely cancel the \$750,000,000 national bank circulation that is out, you deplete the resources of the Federal Reserve. Many National banks of course would go out of the System because of that, and there would be a double contraction. Your ratio now is 80 but it has been said that in 1921, in the Fall, it went down to the stopping point, and it may occur again, and the Dawes plan contemplates the redistribution throughout the nations of the world of your enormous gold store, and that will be a further contraction.

Is it best to risk the experience of 1921 (or worse) or is it best so to amend the National Banking Act as to persuade the big city banks to take out the balance of their circulation of which they only have half?

I realize there is \$1,300,000,000 of capital in the national banking system, and only \$793,000,000 bonds available for circulation, which brings us to what Mr. Crissinger recommends, and he has been both comptroller of the currency and governor of the Federal Reserve. He says that he sees no reason why we should not have many issues of Government bonds with circulating privilege, so long as the Government owes twenty-one and one-half billion dollars, and will owe large amounts for a generation.

We must protect the foundation of the Federal Reserve in the great national banking system. We must prevent, if we can, a drastic recasting of the Federal Reserve Act and the National Banking Act. Otherwise, we will find ourselves like Samson, leaning against the pillars of the financial temple, and bringing it down in ruins upon us.

Improving Our Currency by Using Silver

By ANDREW W. MELLON

Secretary of the Treasury

THE Treasury has been concerned recently with the need for improving the currency. In solving this problem, I feel sure that we can count on the co-operation of the members of the American Bankers Association, for the questions involved are of interest to bankers no less than to the Government and to the public.

During the last three years an unprecedented demand has developed for paper currency of the smaller denominations. This is particularly true of \$1 notes, which are being used in increasingly large numbers. In order to supply the demand and to meet redemptions of unfit and mutilated dollar bills, it is necessary to print and put into circulation 48,000,000 of these bills each month. A note which is thus rushed through the process of manufacture becomes unfit for circulation within seven or eight months of issue, whereas notes which have been given a reasonable period of seasoning, will continue in circulation from ten to eleven months. Bankers throughout the country, are constantly complaining of the poor quality of the paper money; and, while the Treasury is aware of the situation and is doing all in its power to rectify it, we must ask your cooperation if the desired results are to be obtained.

OBVIOUSLY we must build up a reserve supply of currency sufficiently large in amount to keep a portion of it in process of seasoning. This is what the Treasury intends to do. It will be necessary to obtain from Congress an additional appropriation with which to build up an adequate reserve stock, but, in the end, such a program will result in increased saving to the taxpayers. A dollar note costs today .017 cents to manufacture and keep in circulation. If its life can be prolonged by two months, so that it remains in circulation ten months instead of eight, a yearly saving of \$1,666,000 will be effected in this denomination alone.

The building up of an adequate cur-

rency reserve will take time. One way of facilitating the operation is to increase the number of standard silver dollars in circulation, and this also the Treasury hopes to do. In this way we shall be able immediately to pile up a reserve of paper dollars in the amount of the standard silver dollars which go into circulation.

THE number of silver dollars in use today is far below normal. During the war, as you know, Congress passed the Pittman Act, authorizing the Treasury to melt standard silver dollars and sell them as bullion for use of the British Government in India. The greater portion of the silver thus sold was represented in currency circulation by silver certificates which were withdrawn from circulation. In addition to this decrease in the circulating medium, the number of silver dollars in current use has dropped from 84,000,000 in 1919 to 54,000,000 on July 1, 1924.

When silver again became available for purchase, the Treasury was required by law to buy silver and coin new standard silver dollars, which would replace those sold during the war. These purchases are now completed but the Treasury has not succeeded in restoring, by at least 30,000,000, the number of silver dollars in circulation in 1919.

There are many reasons why the silver dollar should be restored to its former importance in the currency structure. In the first place the life of a standard silver dollar has no reasonable limit, whereas that of a paper dollar does not at most exceed ten months. A paper dollar, as was pointed out above, costs .017 cents to manufacture and keep in circulation. If the Treasury, therefore, can restore to circulation 30,000,000 dollars in continental United States and 10,000,000 in our insular possessions, we can displace equal amounts of paper currency and effect an annual saving on this item alone of \$828,000, which is equivalent to the interest at 4 per cent on \$21,000,000 of the public debt.

THE use of the silver dollar is not an innovation. It has merely lost its place temporarily in the circulation in certain localities; and all that is proposed is to restore a very limited amount of these coins as auxiliary to the paper currency. If we are to succeed in this plan, we must have your cooperation. It is necessary for the banks, through their cashiers and paying tellers, to explain to their customers the Government's reasons for wanting everyone to take at least one or two silver dollars with their paper currency.

I am fully convinced that the public will cooperate if they know that such action on their part will result, first, in a direct saving to the Government through a reduction of expenditures for currency, and, second, in an improvement in the quality of paper currency by making possible the accumulation of a currency reserve in process of seasoning. Silver dollars can not be forced upon an unwilling public. If a proper appeal is made, however, and the appeal is backed by logic and reason, the American public can be counted upon to cooperate with the Government in its effort to supply the currency requirements of the country.

Mitchell Appointed Reserve Agent

JOHN R. MITCHELL, who was formerly a member of the Federal Reserve Board, has been appointed Federal Reserve Agent for the Ninth District Federal Reserve Bank at Minneapolis. He succeeds the late John R. Rich, who died in May. In accepting the position of Reserve Agent, Mr. Mitchell becomes chairman of the Board of directors of the regional bank.

Mr. Mitchell is regarded as an authority on agricultural affairs and had wide experience as a banker before being appointed by President Harding to serve on the Federal Reserve Board. He was named for a term of ten years but resigned on May 12, 1923.

A Declaration of Principles

Bankers Deplore the Efforts of Opportunist Politicians and Radical Demagogues to Bring About a Change in the Economic Structure of the Nation. Fuller Participation by Our Government in the Conferences on the Problems of Europe Is Urged.

THE present convention of the American Bankers Association marks the completion of half a century of organized activity on the part of this Association. This period has witnessed changes in nearly every phase of human activity as great as, if not greater than, any that have occurred during the known history of the world. These changes have naturally had a marked effect upon banking all over the world, but especially upon the banking profession in this country. It requires only a recital of some of the changes in our own fiscal affairs to realize the vastness of the revolution which has taken place.

A half century ago, this country was still largely agricultural and its past in international finance consisted chiefly in its dependence upon the credit facilities furnished by European countries for the future development of the resources of the country. Fifty years ago the currency of this country had just ceased being subject to violent fluctuations as a result of the developments of the Civil War, while the great countries of Europe possessed circulating media based upon adequate gold reserves. Now, instead of being largely an agricultural country, the products of our factories are occupying a position of increasing importance in our economic life. Instead of being a debtor nation we have become the largest creditor nation of all, and our power in international finance is as great as that ever wielded by any single nation. Our currency has become the standard by which the value of the fluctuating currencies of nearly all other countries is measured.

The Bankers' Part

IN all of this the American bankers have played their part, and their part has obviously become an increasingly important one for the welfare not only of this country but of the whole world. We say this not in a feeling of pride and boastfulness, but with a keen sense of the responsibilities which these developments impose upon us. We feel these responsibilities all the more, because among large numbers of our own countrymen there is not a sufficient knowledge and appreciation of the rôle which finance plays and must play in the rehabilitation and reconstruction which is going on.

As we survey the situation, we believe there are many sound reasons for a cheerful view regarding existing general financial and economic conditions in the United States, and there is comparatively little in the present situation to create apprehension as to the future progress of trade and industry throughout the country. Where some depression exists, as in the textile industries, this depression may fairly be regarded as essentially temporary and likely to give way presently to renewed activity.

Financial conditions throughout the entire country are exceptionally strong. The total of savings deposits reported by banks throughout the United States was over twenty billion dollars on June 30 of this year. Interest rates have reached an exceptionally low level, reflecting the plethora of available funds in the banks.

Satisfactory as, in general, the situation in the United States is, we regret to note that there are those who are advocating radical changes in our institutions, changes which it would seem could not fail to weaken our present strong position.

In no period since the war has greater progress in the return to normal business conditions been made by industry, commerce and finance than during the past year. The economic structure as it now stands may be accepted by business men as constituting in the main the conditions under which they should expect to work for some time to come.

Normal Conditions Returning

THIS re-establishment of normal conditions has been brought about by the working of purely economic influences. These influences and this result completely refute the arguments and pretensions of opportunist politicians and radical demagogues who have sought to bring about readjustment by political measures. These measures were aimed to give gratuitous advantages to the special interests and classes which the proposers assumed to represent, to the detriment of the general good. The virtual disappearance, by natural economic processes, of the abnormalities that have persisted, as the long drawn out aftermath of the war, has removed whatever justification their presence seemed to give for governmental paternalism and for special measures of relief for particularly distressed classes. At best these measures were merely sedatives for psychological conditions and not real remedies for economic conditions. To that extent they served a purpose, but there is no further public good that they can serve. With normal conditions once more established it should be the resolute determination of all business men to resist any further effort at political interference with economic processes.

The time is at hand for a thorough-going return to a free play of private enterprise and private initiative under unhampered competitive conditions. Government influence and political interference in respect to business should be reduced to an absolute minimum. We as bankers ask no special privileges for ourselves. Equally we are opposed to special privileges for other groups at the expense of the general welfare. The experience of the past few years has been one of the greatest demonstrations in history of

the validity of the view that the community interests of a people are best served by the maximum degree of private enterprise and private initiative with the minimum of government regulation.

We desire to express the deep conviction of the bankers of the United States in the fundamental soundness of the existing order and of the American institutions upon which it is based. With higher standards of living, a juster distribution of wealth and opportunity than are enjoyed by the citizens of any other country in the world we can see no justification other than the ends of political expediency for the attacks which are made today upon the capitalistic system under which they live. There is less poverty and fewer paupers in the United States today than at any period during the past twenty years, and in the face of constantly increasing prosperity and well being we oppose radical change and hazardous experiments which might easily bring disaster.

Foreign Affairs

AS an example of the magnitude of the tasks confronting us and the work already done, we point to the labors of the Dawes Commission and to the recent Conference at London, in both of which American influence was so largely predominant.

In spite of the fact that our country was not officially represented, the labor of individual American bankers did much to bring about a settlement and an agreement among the various countries involved, such as has been unknown since 1914. We recognize that neither the work of the Dawes Commission nor of the Conference at London is complete, but we deem it, in the words of the present Prime Minister of Great Britain, to represent all that could be done, "considering public opinion in the respective countries." Future progress will come only with a growing realization on the part of the public that financial questions to be settled permanently and in the right manner must be left largely to the financial experts of the world, to the bankers rather than to politicians and statesmen.

We again express the hope that our government will be impressed with the need that it must participate officially in some of the conferences which will determine the commercial complexion of the world for decades. It is necessary for the protection of our future markets and for the proper protection of our investors that our government be in a position to make its influence felt to the fullest extent.

Foreign Investment

THE proposals of the Conference at London imply the granting of liberal loans to the Government of Germany during the



A view of the general convention, taken from the stage of the Auditorium. On the stage are, left to right, William G. Fitzwilson, Secretary; F. N. Shepherd, Executive Manager; Walter W. Head, Retiring President; Oscar Wells, First Vice-President, and William E. Knox, the new President of the American Bankers Association

period of her restoration to normal industrial and financial prosperity, and private loans will undoubtedly be required in large amounts. It is to America that she will turn mainly for these funds. In view of the importance to the whole world of the re-establishment of active production and consumption in all countries which would be greatly stimulated by renewed prosperity in so important a nation as Germany, it is believed that American financial interests should adopt a favorable attitude towards such loans. The United States now controls a large part of the gold resources of the world; in fact, an undue proportion if the broadest general interests are taken into consideration. The presence of this gold carries with it the constant menace of inflation, and it would be a definite advantage to have it more evenly distributed to other countries.

Education

IT is our aim to add not only to the enlightening of public opinion in this country, but to continue to devote the efforts of this Association to the education of the growing generations along lines of sound economic thinking and reasoning. We realize that such efforts can only produce results gradually and that, therefore, they must be constant and unceasing. It has been fortunate for us that some other countries have put into practice the theories of visionaries and thus have furnished us with an object lesson, and have proved how impossible of practical application are the phantasies of communists and socialists.

American Institute of Banking

IN connection with our educational progress we welcome above all the constant aid which we have received from the American Institute of Banking. We congratulate this section of our own Association upon its growth in numbers and its increasing power for service. We pledge to it our continued support in its efforts to educate the rising generation of bank men.

Agriculture

THE farmer, like any other business man, is dependent for his success and prosperity upon his own abilities and efforts and on conditions in the markets in which he works. The past year has given a notable demonstration of these facts. Sound farm finance and efficient agricultural methods, coupled with an improved world market, have helped to solve the agricultural problem. We believe that there is no more justification for government paternalism for the farmers than for any class of business men. It is gratifying to note how far the logic of events has refuted the sophistries of opportunist politicians. The farmer is seen once more, and sees himself, as a business man and a capitalist of a particularly high type of individual initiative who does not want aid from the public treasury under whatever guise it may be proposed.

We approve the various efforts to bring about the orderly marketing of crops and express our belief in the efficiency of co-operative marketing associations when properly organized and managed.

We take this occasion to point out that as we become more and more industrialized we shall at the same time depend less and less upon foreign markets for the disposal of our agricultural products. It is very evident that in a comparatively short time our own population will consume not only all we grow ourselves, but will even be compelled to import certain of those commodities which at the present moment we export.

The Federal Reserve System

THE Federal Reserve Banking System has now a record of ten years of successful operation during a period which has been an exceptionally difficult one in financial affairs. In spite of the fact that this System has mobilized and coordinated the entire banking resources of the nation, has admirably met the demands of agriculture, trade and industry for required credit, and has eliminated the financial crisis which

characterized the years preceding the establishment of the System, there are still some who ignore its many manifest and well proved benefits and would weaken it by subjecting its control to partisan or class influences.

Attacks have been made from time to time on the Federal Reserve System on the pretense that it has been partial to certain interests in the community as against others. Facts have shown such attacks to be without justification. The facts have shown that the real animus of most of these attacks was a desire to force the Federal Reserve System away from even-handed service to all the people and introduce influences that would make it possible to use it in behalf of special interests. Although these efforts appear to have failed, the danger from similar assaults on the integrity of the System are ever present and demand the continued vigilance and resolute opposition of united banking. It is gratifying to note that investigations by the American Bankers Association have developed an overwhelming loyalty to the System among banks, large and small, and a determination among them to maintain it as a servant of the common interests of the people, aiming to promote the prosperity of all, without reference to class appeal or political expediency.

We insist, when the time comes to amend and to develop the Federal Reserve System that this work be entrusted to its friends, and not to its enemies; to those who are qualified experts, and not to those whose sole object is to gain public office regardless of the destruction which they may accomplish in order to attain their goal.

It was unfortunate that the System should have begun operation during the abnormal years of war, and that in consequence it was compelled to expand its functions more rapidly than a conservative development might have warranted. As a result, the Federal Reserve System now furnishes service of various kinds, without charge, which has resulted in an unduly increased overhead. The Federal Reserve banks have been driven, in order to earn their expenses and dividend

charges in these more normal times, to compete for business with their own member banks in such fashion that there is danger that in the future the operations of the Federal Reserve banks may tend to accentuate the swings of the financial pendulum rather than to keep the swings of the pendulum from going too far in either direction. We, therefore, earnestly recommend that a careful investigation be made by those who are properly qualified to investigate whether it might not be wise to limit the Federal Reserve banks to their primary functions as banks of issue and rediscount.

Taxation

WE regret that a confused political situation in Congress made impossible the consummation of thorough-going and scientific tax revision. Under the measure finally enacted, although relief is granted in some directions, in many cases more apparent than real, the handicap on productive enterprise was not adequately reduced and remains a serious burden on business initiative. It is to be hoped that governmental conditions may be established in Washington which will make it possible to carry out further revision on the basis of a scientific taxation policy rather than of partisan strategy or class appeal.

We feel that the ever-growing burden of taxation, Federal, state and municipal, is becoming a deterrent to the free development of trade and industry in the United States. Alarm is also felt over the extension in many directions of government interference with the orderly processes of business through taxation as well as over the elaboration of government services in fields which should be reserved for private enterprise to develop.

Taking the year 1913 as the standard and expressing all figures in terms of dollars of a common purchasing power in that year (i. e., on the basis of the index number of wholesale prices), it is found that the total amount of taxes raised by all governmental authorities in this country has been growing from \$1,080,000,000 in 1890 to \$2,194,000,000 in 1913, \$3,900,000,000 in 1919, \$5,689,000,000 in 1921, \$4,739,000,000 in 1922 and \$5,010,000,000 in 1923.

Moreover, we call attention to the growing inequalities of taxation between different parts of the country which are likely to have serious effects upon the social and economic, and even political structure of the country.

Attention is also called to the fact that the present system of imposing estate, transfer, and succession taxes in the United States by which the Federal Government and the several states impose separate, diverse, and cumulative taxes resulting in the duplication of such taxes, added expenses of administration and an unnecessary delay bearing unequally upon different estates and bringing about the practical confiscation of estates has become well-nigh intolerable.

Railroads

OUR railroads have gradually recovered from the effects of government management during the war, and most of them are now in a position where if left alone they will be able in time to earn a reasonable

amount on the capital invested and provide funds for necessary betterments.

We call attention in this connection to the fact that our railroads give better service for less money than those of any other country, whether or not under government control. Even in pre-war Germany, where a bureaucracy, which had been the result of a century-long development, brought about results which have been impossible elsewhere and are no longer possible in Germany, the cost for freight per ton mile in 1913 was 1.23 cents, while in this country, under private management, the cost in 1913 was only 7½ mills per ton mile. Even with the present increased cost our railroads are still able to carry freight at a cost of 1.2 cents per ton mile.

For these reasons we deprecate the unwarranted attempts made to nationalize our railroad systems, and object to the heavy burdens which the government casts upon them by its continuous investigations and legislative interference.

Labor

WE have been very glad to note that industrial conditions have become more stabilized than they were, so that the country has not had to bear the burden in the last year of serious strikes which have so often crippled industry and commerce, and have proved a detriment to all classes of the population. We believe, however, that in certain industries liquidation of wages, corresponding to that which has occurred in many lines, must take place before business is again on an even keel.

Citizenship

THE exigencies of the present national campaign constitute a particularly urgent call to the voters of all parties to study the issues presented and to discharge their high duty of citizenship by expressing their judgment on them at the polls. It has been a reproach in the past that so many qualified voters have failed to go to the polls, permitting the success by default of causes that an informed and fully expressed public opinion could not but condemn. A particularly large and dangerous element of economic fallacy has been injected into the present campaign. It challenges especially the business men of all parties to do their part in stimulating as large and intelligent a participation in the voting as possible. The common sense of the American people can then be relied upon to demand the continuance of sound principles in the conduct of national affairs.

Supreme Court

NOTABLE among the proposals currently made is the suggestion that the restraints now exercised on legislation by the Supreme Court of the United States should be modified to give greater power to the legislative body to adopt legislation contrary to the spirit and letter of the Constitution. The wisdom of the fathers deliberately constituted the Supreme Court to serve as a bulwark against hasty and ill-considered action by Congress, and this Association is opposed to all changes which would remove this vital safeguard to the established order.

Thrift

WE believe that the reported increase of over two billion dollars in savings in the banks of the United States during the past year is a source of gratification, and we, therefore, make note of the fact as an indication of the growing confidence on the part of the American people in our institutions and in their permanence. The thrift of a people depends upon assurance in the future, a proper knowledge of what improvidence means, a human desire to quicken the activities of each individual and of the whole, for a nation without thrift will perish. Efforts should be so directed as to facilitate the ability to save and thus to stimulate the progress of our country.

WE express our sense of deep obligation to our retiring president, Mr. Walter W. Head. We call attention of the members of the Association to the valuable work which he has done throughout the year in carrying sound economic doctrine to all parts of this country and the special efforts which he has made in conjunction with our Agricultural Commission to bring about closer cooperation between the banking and the farming communities.

WE make note with the deepest regret of the passing away of Mr. Logan C. Murray, who was one of the founders of the Association and its president in 1886. We take this occasion to convey to the members of his family our deepest sympathy in the severe loss which they have suffered.

TO our guests, Mr. E. T. Meredith, Mr. Arthur Reynolds, Mr. C. H. Markham, Mr. John E. Edgerton, Honorable James C. Cropsey and Honorable George Wharton Pepper, who came to speak before this convention, we express our deep appreciation. We feel that the addresses presented have added materially to the current of public discussion of the leading problems of the day and have upheld the traditions of the Association's annual convention as a great forum for the consideration of these problems. Those who appeared before the various Divisions and Section meetings also made those sessions particularly successful as forums of discussions of the various subjects considered.

TO the Chicago bankers who acted as hosts of the convention we extend our sincere thanks. The many and enjoyable entertainment features provided and the splendid arrangements for holding the business sessions of the convention will long be remembered as making it one of the most pleasant and successful meetings of the Association.

We extend to the press of the country our sincere appreciation for the attention they have given to the various meetings of the Association in their columns. They have performed a valuable service in transmitting to the public at large the opinions and viewpoints expressed during the various sessions.

Francis H. Sisson, chairman; Walter Lichtenstein, secretary; John H. Puelicher, Melvin A. Traylor, Burton M. Smith, Fred I. Kent, Edgar L. Mattson, Alvin P. Howard, W. C. Gordon, Lucius Teter, Bruce Baird, C. W. Allendoerfer, Eugene P. Gum.

Next Step in Social Progress

By WILLIAM A. GANFIELD
President Carroll College, Waukesha

Every Problem of American Domestic Life for Two Decades Has Been Part of the Great General Issue—The Production and Equitable Distribution of Economic Goods. Grasping Fourth Period Problems Though Some of the Third Are Still Unsolved.

NO achievement of tomorrow can rob yesterday of its glory. But is there a task for today? Has this century a mission and has it a service to render? Yes, it has. "We do not think the same thoughts that our fathers did think." A new day is dawning. New problems are before us. The only fitting tribute that we can pay in respect to the memory of the yesterdays of our heroic life is a sincere devotion to the problems of modern life. Any age, or generation of folks that fail to solve the problems of their own times, that by reason of indifference, ignorance, carelessness, or cowardice, postpone the solution of their problems thereby hinders, thwarts, stunts, and dwarfs the progress of the human race. Social progress is made possible only when we frankly face the issues, solve the problems that belong to our own day.

I think some of my Milwaukee friends have found the right phrase by which to characterize the achievements we expect from the century through which we are now passing. I think they are neither wise nor right in the method by which they propose this result should be achieved. I think they are altogether wrong in the particular goal toward which they aim, as well as the manner by which they would seek to attain it. But I shall use no lesser term than the phrase: social revolution by which to characterize the century through which we are passing, and the experiences through which I believe the human race is destined to pass in the century to which we belong. In other words I am very strongly convinced that one hundred years from now we will have accomplished so much in the way of social transformation, social amelioration, better social achievement, larger social sympathy, truer social understanding, finer social and group relationships, that 100 years hence it will be impossible to characterize the splendid achievements of this 100 years in any lesser term than the radical phrase used above. Not by the smashing of the furniture, not by the taking of a single cog from a single wheel of industry, not by the overthrow of constitutions or institutions, not by Red radicalism and riots, but by the gradual processes now already noticeably at work shall this wonderfully interesting and marvelous transformation be wrought.

Three Stages of National Growth

THE United States has passed through three very interesting stages of national growth. We are at the present time

struggling with the problems of the third. What is the first period of national growth? It is the time when a nation is struggling to be born. It is the hour when a new people are claiming their natural birth-right of sovereignty and independence. In America it was the period from 1763 to 1815. What were your forefathers and mine thinking about during those interesting days? What were the ideals, the subjects of speeches, the fervor of political addresses, the sermons in many pulpits? The theme of it all was simply this: The right of this young people between the seas to acquire, to possess, and to exercise the rights of independence, the right of sovereignty with all those privileges which sovereignty and nationality entail. It was a period of struggle and strife. That period in America was safely passed and the results were secured. From 1815 down to 1924 you have heard no discussions of America's right to sovereignty and to the privileges of an independent state.

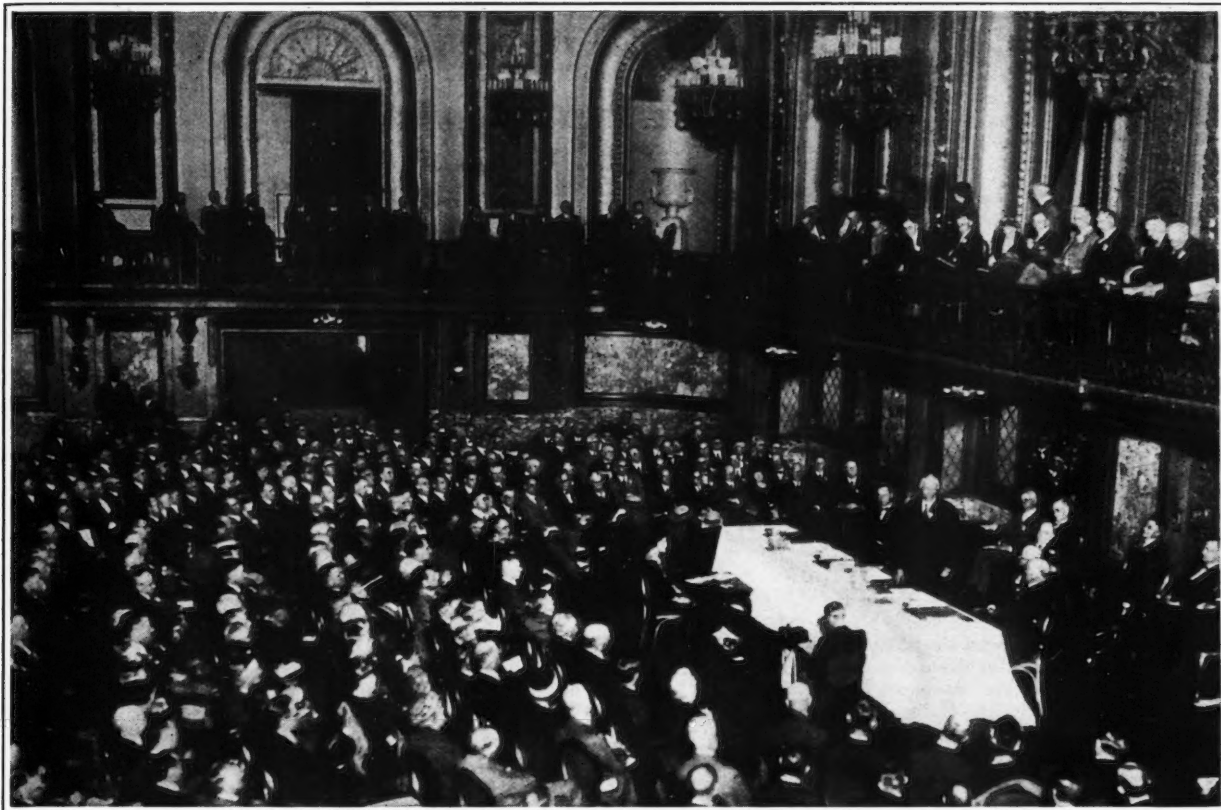
There was a second period of equally great importance in our national history and our progressive life. The second period began in 1827 and ended in 1873. The questions were different. The problems were not the same. The issues were new. It was no longer the question of independence. It was the question of unity now. Again will you read the papers, the magazines, the speeches, again will you listen to the heroic sermons burning forth from souls on fire. What was the theme? It was the question of the rights, privileges, responsibilities, of the several commonwealths or states within the Union and of the citizens within the several states. The first was a military question, the second a constitutional one. The questions of the second period reached the climax in 1832 and '33. They could have been better settled then around the conference table than later on the plains of strife. Had our United States senators, and citizens, and forefathers of 1832 been as big of brain and as large of heart as they might have been, had they had the good sound sense and judgment to see eye to eye and work face to face, every problem of the second period could have been settled then and we would have been saved the awful carnage of civil war. The most needless war in which America ever took part was her own civil strife, but because the men of '32 failed of their responsibilities and postponed the issue, bitterness increased, hatred flamed and daily strife grew bitter and war became inevitable once again.

The third period in American history began in 1893, and has increased in intensity

until this very hour. New problems and new issues again arise. What are we thinking about now? What are the words on the lips of every orator, on the tongue of every statesman and on the pen of every writer of note? Not the question of independence, not the question of union, but today the great American nation is trying to think in terms of our economic conditions, and the social welfare of the members of our great state. Groping in darkness, thinking in confusion, searching as best we can for light, we are trying to find the way out. Every great problem of American domestic life for the last two decades has been but part and parcel of this great general issue, the production and equitable distribution of economic goods, regular supervision and provision for the social welfare of the inhabitants and citizens of this nation.

Drops a Great Idea

WHEN Jehovah would order a great forward movement of the human race, He drops a great idea into the mind of a great man. Washington is secure. His place of renown is forever safe. No star will arise to dull the luster or dim the glory of his wonderful life, marvelous leadership, and masterful service. Lincoln will forever stand forth as the master leader in the second era of our nation's life. Who will be the third? Whose name will take place with these other two gifted sons whose memory we revere and cherish. There are still some of us who think the man who lived so strenuously that he died too soon had the keenest and deepest appreciation of the problems of our modern American life, but he is gone. The problems are still here. The task is not yet done. In 1912 some of us thought that the man who had been president of a great university, governor of a great state, and then president of the nation, might be the one to lead us out, but in the very center of his administration we were thrust into an experience that took us away from home. Our minds forgot the home problems, our attention was diverted from the home state and by the dastardly experience of a terribly cruel war we were thrust and forced into the fourth period of our national history before we had solved the problems that belonged to the third. What are the problems of the fourth period? It is a time when the people are striving to define, adjust and determine the problems that arise from their relationship with other states. *It is the international period in a nation's life.* Observe that America at this hour



A view of the Gold Room in the Congress Hotel at Chicago, where the four divisional conferences were held. The photograph was taken as Dr. W. A. Ganfield, president of Carroll College, was addressing the State Bank Division. The "standing room only" sign was displayed at each conference

is thrust into the unhappy experience of trying to grapple with the problems that belong to the fourth period of our national history while many specific, many difficult problems of the third period are still waiting to be solved. Further observe that every statesman selected, every president elected will be obliged to grapple with the problems arising out of this extremely difficult and perplexing situation of the present hour. Who will be that man to lead us out? Heaven only knows. I do not see any man in sight seeking a public office at the present time whom I believe will achieve sufficient results, render a sufficient service in the experience of leadership, that will enable history to write him down alongside of Washington and Lincoln from the earlier periods of our national life.

Let me revert to my consideration of the next step—the social revolution. How shall the next step be taken? How shall the transformation take place? Three brief observations and experiences will suffice. In October of 1923 I spoke before 2700 school teachers of our state in a great convention. In November of the same year I met with 11,000 teachers of the same state in the state convention. Still later I listened to a report from the National Educational Association convention held in the summer of 1923. The same experiences, the same impressions were brought forcibly home to my thought from each of these three great conventions. The most impor-

tant addresses, and the most important speakers were not there to discuss with the teachers of American schools questions having special relation to their vocation or their professional task. They did not talk to us about the platoon system, about the Junior High and Senior High, about the plan of education, about textbooks, curriculums, or any other subjects that belong to our own professional work.

As Goes the School

THEY were speaking to this great body of American teachers on the social service power, the social destiny fixing power, of the great American public school, and as goes the American schoolroom so goes America and as goes America so goes the world. Whatsoever you would put into the state you must first put into the schools. If I could control the American schoolroom for thirty years, I would fix American character for a century.

In not one single convention that I have attended have there been fewer than three or four speakers who came not to talk upon banking, branch banking, anti-branch banking, currency, exchange, Federal reserve or any other technical phrases, but have tried to think earnestly with the financiers and business men of America on the subjects of their social service opportunity to the cities, towns, and villages where they live and make their living.

Within the last twenty-five years America

has put more Christianity into real practice than was done by the whole world in the 1900 years preceding. If we go on for three-fourths of a century more at the same, or an accelerating rate, in less than 100 years from now humanity, without the change of a cog, without the stopping of a wheel, without the quenching of a smokestack, without the overthrowing of a constitution, or overturning of an institution, will have moved forward and upward from the valley of despair and the swamp of misery into the table land of prosperity and still onward into the city of happiness on the plains of peace.

To Aid Farmers

WITH calls for relief from the banks steadily falling, the Agricultural Credit Corporation, formed by private capital to meet the conditions growing out of the financial stringency prevailing early last year in the northwest, has decided to concentrate on promoting diversified farming and dairying.

C. T. Jaffray, the head of the corporation, announced that its chief work during the next few months would be the distribution of livestock. It is believed that by planting high-grade farm animals on selected farms, as the nucleus of herds, much good can be done in the states, which have relied largely upon the outturn of one crop.

Railroads Among the Best Spenders

BY C. H. MARKHAM
President, Illinois Central Railroad

Their Current Expenditures Help to Keep All Other Industry and Agriculture Prosperous. In Times of Depression They Can Stimulate Business by Making Large Expenditures for Betterments. Government Ownership Would Jump Everybody's Taxes.

THE creed of the American Bankers Association is based upon the broad principle that "what is best for the nation is best for banking." Allow me to paraphrase that, as regards my own line of business, by declaring that our American railroads are conducted on the broad principle that what is best for the nation is best for the railroads. The solution of our railway troubles will be certain when the public comes to recognize that fact.

I like broad principles. They cover a multitude of details, and when rightly understood and applied they solve the perplexities into which the misunderstanding of details too often leads the best-intentioned nations. The broad principle of running a train is to get it from one place to another in safety and on time. There are details about the stops, the proper loading, the number of cars, the length of time the employees must work, the rates that must be charged for the traffic handled and the like, and these details occasionally lead to differences of opinion. Sometimes the details seem to overshadow the principal business, which is to keep the train running, and when they do the only solution is to recall to the minds of the contending parties the fact that the train will stop if they don't get together to keep it on its way.

I am not the one to become unduly alarmed when there is no danger, but I believe our transportation system is bound to suffer, to the great detriment of business, unless all of us develop a renewed understanding of its place and its purpose in our national life.

As factors in business our American railroads cannot be ignored. There are 265,000 miles of them, which is approximately a third of the entire railway mileage of the world. Their property value is more than twenty billion dollars, which is about half the property value of our manufacturing industries and a fourth that of our farms. They employ 2,000,000 persons—about one wage earner out of every twenty in the country. They spent in 1923, for labor and materials, about six billion dollars and in the same year they paid more than \$336,000,000 in taxes. The fuel bill alone of the railroads in 1923 totaled about \$600,000,000, as compared with an expenditure of approximately \$556,000,000 for the entire operation of the Postoffice Department, the largest business enterprise of our Government, during the fiscal year ending June 30, 1923. In 1923 the American railroads carried more than four hundred billion tons of freight one mile, and they carried more than thirty-eight billion passengers one mile.

These figures show that our railroads constitute a gigantic business and that we make good use of them. No other country in the world depends so much upon its railroads as we do. We are better supplied with railroads than any other country in the world that has distances comparable with ours, and we must give our railroads most of the credit for maintaining the complicated agricultural and industrial organization our nation has built up. Without the railroads our business would have to withdraw into isolated communities; our country, economically and politically, would break apart. In ancestry, in ideals and in manners of living, we are not naturally a united people. Our union has been developed and is being preserved by our efficient transportation service. The fact that our channels of communication have been so good is the reason that we suffer so little from differences in dialect, in customs and in habits of thought as compared with other large nations of the world.

Without the Railroads the Country Would Break Apart

FUNDAMENTALLY, therefore, the complexion of business in this country, more than in any other country, is what the railroads have made it. Whether they have made it so for good or ill is a question occasionally discussed; there are still inequalities; readjustments in railway rates and service even today are likely to necessitate changes in the location and in the movement of business; but there is little doubt that the railroads have worked to the best interests of the country in developing the relationship of agriculture and industry and foreign trade along the lines now in effect. We have not, it is true, constructed our railroads with an eye to their military uses, as has been so often the case in Europe, but we have built them up so as to serve most efficiently what we have regarded as the great needs of our national commerce, and in that way we have done our people the greater good.

Our railroads are highly important factors in business: first, because of the essential service they render; second, because of the helpful expenditures they make; third, because of the lesson they give as to the necessity for good credit, and fourth, because they are in the front line of defense against those who would make this country a second Russia in the matter of Government ownership.

Every day we are reminded of what the railroads mean, in transportation service, to the business of our country. Just now

there is a revival of prices for farm products. But what is the factor that makes good prices of immediate advantage to the farmer? That factor is his servant, the railroad, which is ready and waiting to carry his products wherever he so wills. The availability of good transportation is what gives most of the value to farm products under our present system of marketing, and the development of the railroads, of course, was what made our modern markets possible. Instead of selling at his local station or at the county seat, the farmer now sells at the great markets of the land, where prices bear a close relationship to those in the other great markets of the world. The farmer therefore should be the greatest defender of the railroads whenever their existence is threatened directly or indirectly.

Farmers Take Over a Railroad

AN example of this has come to light in Illinois recently. Farmers have taken over and are operating a small electric railroad that had threatened to suspend operations because of bankruptcy. Faced by the prospect of no service at all, the farmers protested vehemently, and when it came to a showdown they put their own money into the project in order to prove their appreciation of what railway service meant to them. This proposition, fortunately, does not have to be faced by most farmers, but it illustrates the fundamental principle that it is more important to keep the railroads running than to quibble about how they should be run.

The essential service rendered by the American railroads is cheap, judged both by the loss that its absence would occasion and by the comparisons that can be made with railway rates elsewhere and with the retail prices of the commodities moved. Figures for the Class 1 railroads of the United States—the roads with operating revenues of at least a million dollars a year—show that the average ton of freight was carried a mile last year for slightly more than 1 cent and 1 mill. The average passenger traveled a mile on these railroads last year for 3 cents. These are rates which cannot successfully be challenged anywhere in the world, when the local buying power of that amount of money is considered in connection with the character of the service rendered. In the retail price of practically every commodity, the freight rate is an infinitesimal matter. Seldom can it be honestly quoted as a factor one way or another in the retail price. Wheat and flour travel from 500 to 1000 miles for less than half a

cent to make up a 15-cent loaf of bread. The average meal can be assembled for a freight charge smaller than the price of a red postage stamp. A \$5 hat can travel from New York to Chicago by freight for half a cent. A 30-cent purchase of California fruit made in Chicago will be found to include a freight charge of not to exceed 3 or 4 cents. By every method of comparison, our railway rates cannot be termed excessive. They have been lower than they now are, but so has been nearly everything else; the relationship has not changed perceptibly; if our railway transportation is not cheap, then nothing in this country is.

This railway service, moreover, is being rendered well. Last year, in the greatest traffic our country has ever known, there was practically no shortage of cars or locomotives with which to move them, and the ability of the railroads to handle the business offered them was worth many millions of dollars to the nation's business men. Efficiencies are constantly being worked out and the benefit is being given to the public. In the last four years the railroads have reduced their operating expenses nearly \$5,000,000 a day, and they have passed on to the public, in reduced rates and increased taxes, nearly \$400,000 a day more than that. During recent years the railroads have carried a passenger traffic greater than in 1915 with an actual decrease in the number of passenger trains operated. In the same time the operation of heavier freight trains has made possible a great increase in freight traffic with but a small increase in the number of trains. The number of ton miles produced by the railroads in 1923 was 23 per cent greater than in 1915, but the number of freight train miles was only 4 per cent greater and the number of freight car miles only 13 per cent greater.

These figures may be perplexing to the layman. My intention in citing them is merely to indicate that the railroads are being more efficiently operated now than they ever were. Similar figures are easily obtainable as to the greater production of transportation service per man employed, per thousand dollars of investment, per ton of coal used, and so on. By every test we know of, our railroads are better today than they ever were. The older bankers can prove that by observing the service rendered and by comparing it with the service rendered twenty or thirty years ago.

Better Roads Mean Wider Circulation of Money

BETTER railroads, moreover, mean a wider circulation of money. The railroads are among the best spenders our nation has. In 1923 they paid out about three billion dollars for labor and two billion dollars for materials just to keep themselves running, and they spent more than a billion dollars for additions and betterments in preparation for the future. That spending was at the rate of nearly \$55 a year for every man, woman and child in the country. The railroads consume more than one out of every four tons of bituminous coal produced in this country. They use 30 per cent of the iron and steel output, 25 per cent of the lumber output and

great quantities of other commodities of all kinds. They contribute directly or indirectly, to the success of nearly every line of business. By paying more than \$300,000,000 in taxes a year, they take a great load off the remaining business of the country. It is well to remember that point when the proposition of Government ownership comes up. Government ownership would mean tax exemption for the railroads.

When the railroads are running to capacity, their current expenditures help greatly to keep all other industry and agriculture prosperous. What they make, they spend. So large a percentage of the railway dollar is promptly returned to the channels of trade that it is no exaggeration to say that busy railroads do proportionately more for the stimulation of business in general than any other one factor that can be named.

But probably the greatest service the railroads can render business through their expenditures is—or should be—their ability to stimulate business revival in times of depression by making large expenditures for permanent betterments to their plant. You are all familiar with the argument that public improvements should by all means be kept up in times of business depression and general unemployment. The same argument can be and should be applied to the railroads. When the railroads are free from the pressure of heavy traffic is the very time that they can best attend to the business of building up their facilities to handle the rush that inevitably follows every lull. When the railroads are able to obtain the money, they do that very thing.

Railway freight traffic has increased more than 800 per cent in the last forty years. It has more than doubled itself since 1903. Railway facilities, of course, have increased greatly, both in number and in capacity, but not at a rate to keep the pace set by traffic. Extraordinary efforts last year saved the nation from a transportation shortage, and in making those efforts the railroads incurred additional debts of more than a billion dollars. The spending of this money, of course, did much to stimulate business, but vastly greater amounts must be spent in the future, to the vastly greater stimulation of business in general, if the railroads are to keep pace—as they must—with the growth of the country.

In order to raise the vast amount of new capital essential to future progress, the railroads must have sound credit. Their 800,000 stockholders and their almost equal number of bondholders must be assured of fair treatment, if the necessary new bonds and stocks—preferably stocks—are to be disposed of successfully on the financial market. The great problem of our American railroads under private ownership, overshadowing even the problem of adequate service, is the problem of credit. Good credit is fundamental to good railroading. It is both the cause and the effect of good railroading. Without good credit, without public confidence in the integrity of their stocks and bonds, the railroads cannot take a forward step.

Good credit means, first of all, that the railroads must have adequate earnings—

adequate not only at times, but consistently adequate. Inadequate earnings have hampered the railroads sadly in the past. Part of the trouble has been due to the fact that the public has not comprehended certain differences between what the railroads sell and what other producers sell. It is not fair, for example, to contrast the current adequacy of railway rates with the current adequacy of prices on the farm. The railroads cannot cancel off good years against bad, as most producers can. Their product is not one that can be kept. They must pay as they go. The railroad sells service. The farmer sells commodities. Service must be sold as it is produced or it has no value. Corn, wheat and livestock have a definite value as long as the farmer cares to hold them, and very often they are enhanced in value by his very foresight in keeping them in reserve.

Service Cannot Be Kept in Reserve

IT is not possible for a railroad to keep its service in reserve as a cashable asset. The railroad must produce its service regularly whether it is utilized to capacity or not. Every idle seat on a passenger train and every empty freight car is a distinct loss to the railroad. Once a train has made its run, the service it rendered is a closed account, upon which the railroad cannot draw in time of need.

Because of this situation, the modern railway manager must be like the expert banker described by your president, Mr. Head, in a recent address on "The Twentieth Century Banker." According to Mr. Head: "Bankers of the twentieth century cannot merely be bookkeepers, tellers, cashiers, lenders of money, or even a combination of all of these raised to the nth degree. To be bankers today, bankers must be more than bankers. They must be economists. They must be sociologists. They must be business men, versed in industry and in commerce. They must be psychologists, knowing human nature. They must be statesmen, understanding politics with a knowledge of international affairs. . . . The banker must read men as well as local markets." The fundamental impulses behind certain things must be understood as well as their surface indications, if the banker is to use his lending power for the security of his clients and for the well-guided up-building of his community.

The up-to-date railway manager, likewise, must be no less the student of men and of world affairs. The successful railway manager today is the man who can see beyond the immediate future, who can keep in close touch with his public, who can understand the needs of his patrons, the rights of his investors and the aspirations of his employees and balance them off, one against the other, so that justice may be done to all and so, at the same time, that the priceless jewel of the railroads under private management—their credit—may be conserved.

Under private ownership, the railroads of the United States do not have the ready access to Uncle Sam's pocketbook that they would have if the Government owned them,

(Continued on page 280)

Responsibilities of Citizenship

By JUSTICE JAMES C. CROSEY
Supreme Court of the State of New York

Duty of Molding Character of Boys and Making of Them Useful, Law-abiding and God-fearing Americans Rests Upon the Men of the Nation. Personal Service to Coming Generation the Great Need. Religion is also Considered a Vital Factor.

ARE you satisfied with the way generally that the young people of this day are growing up? Do you believe they are in the main giving the best of which they are capable in their acts as citizens?

There are things happening every day in all parts of the country which attract attention particularly to one of the serious conditions of this country, and that is to the youth and the prevalence of crime among the youthful.

Figures tell us that over 80 per cent of all those who commit crimes are under twenty-five years of age, and 95 per cent of those are boys or young men. And, of course, as bad as that is, and as great as is that number in total throughout these United States, perhaps the problem would not be so bad if they were the only ones who were not leading the right kind of lives. But the fact is that for every young man or boy who commits a crime and is convicted there are many times that number who commit crimes who are never convicted; many because they are acquitted, although guilty, and many others because they are never apprehended. And if we even left it at that, still the conditions would be nothing like as bad as they really are.

But there are still hundreds of thousands of them who commit no crime, at least in the sense that they do not commit a violation of statute law which renders them liable to criminal punishment, are not living up to what their ideals of life should be, and are failing to become and be the citizens they ought to be in this great Republic.

Do not Blame Radical Vote on Europe

IF you think that the great vote that is sometimes called the radical vote is composed in the main of people who were born abroad, I think you are quite in error. I am perfectly satisfied that the great bulk of the so-called radical vote in New York City is not from foreign born voters at all. The great bulk of the strength of that vote is from the young men who were born in this country and the bulk of them born in the city of New York. Yet they have the idea that government was created for their benefit; yes, if they had the right idea of that it would be all right, but they have the idea that government was created for their benefit so that it would give them a living, that it owes them a living, and that all they can get out of the government

is so much the better for them, without feeling any responsibility of rendering anything or giving anything in return to the government.

My thought is addressed to the boy before he gets to be a voter. It is hard to change a man after he has got into habits; it is no easy thing to make him give up the customs that he has grown into, so I think we have got to approach the problem by treating the boy before he becomes a man, the boy in that age of transition, between the time that he is a boy and the time that he becomes a man, and that usually happens between the ages of twelve and eighteen. Today he is a boy and tomorrow he is a man, and unless he is caught at that time in his life, the chance of molding him into what he ought to be is not as great as it is then.

Well, what is the proposition about this? Do you think there is any need of something being done for the young man of today? Secondly, if you think there is a need, have you any idea of how it can be approached so as to succeed in accomplishing something? I do not think that what I would suggest is either original, or is it the only way in which the thing can be done, but I know that a great deal has been accomplished for the boy, and I am sure that a lot more can be accomplished if we can only get the men of this great country interested in the proposition.

"What are we going to do to meet this boy proposition?" I once asked a minister and he said, "Why, of course, the way to attack it, the way to approach it is by getting them into your church."

And I said, "Very well, I will agree with you that if you can get them into the church the problem is solved—no particular church, I would not care whether it was the Catholic, Protestant or the Jewish faith, if you can get a boy into the church and keep him under the influence of religion, your problem is absolutely solved, and that is a fact that is established."

The Influence of the Church

THAT fact is established, so far as the commission of crime goes, by the statistics for many, many years past. Speaking only of the period within my own personal observation and the experience of 12 years, the fact is that of the thousands and tens of thousands of boys who have come before me who are under my notice, who have been convicted of crime, there has never been one who was at the time the crime was committed going regularly either to church or Sunday school. A number

of them had gone to Sunday school at some time in the past; some of them had gone to church at some time in the past, but there was not a single one who at the time was under the influence that comes from religion, from regular attendance at a church or at Sunday school.

And why do they not go to Sabbath school if they have already gone? I have asked that question of hundreds of boys of sixteen, seventeen or eighteen years. And this was the answer I got, "Why, I am too big to go to Sunday school."

That means that he having come to that transition period in his life when he has ceased to be a boy and has become a man, he has the abnormal idea that he cannot associate with anybody but men and that if he goes with boys or goes with women or girls, he is not living up to what he ought to be. He has to be with the men because he feels that he is a man.

And the reason that boys do not go to Sunday school in my part of the country, at least, of which I can speak because I have been to a great many of them and know, is because we men do not go to Sunday school, and that is the absolutely true answer to it.

Of course, if you can get them under the influence of religion I am perfectly satisfied that you are going to produce the desired result because there is no power or agency or influence in the world commensurate with the power and influence of religion in bringing up all kinds of people.

What are you going to do to approach this problem if you cannot get them under the influence of religion? Are we going to say, "Well, we have done all we can? We have paid our money and we have created these churches or these public centers? We are keeping them going by the expenditure of our funds and that is all we can do?"

My feeling is that we are not doing our full duty in merely doing that. My feeling is that we men owe a tremendous responsibility and that we owe a corresponding duty to meet this problem in a practical way—and it can be met in a practical way. This is not something that you can do with money. My appeal is not along those lines at all. You cannot buy what I want to make an appeal to you to give. You cannot give money as a substitute for it.

Service the Great Need

IT is service that is needed, personal service—the service that comes from your heart and not from your purse, the service that comes first from a realization that there is a duty to perform, that there is a

need for the performance of it and then the response that comes from your conscience that you ought to be doing something to help it along.

That is the reason I said it cannot be bought. That is the reason I said it is not the equivalent of money. I am asking the men to give something of themselves, something that is of their very innermost personality because I am asking the men to take a personal interest in this and give something of their time.

"Well," you say, "what good will that do? How will that improve the boys? Supposing we are willing to give something of our time? How can we give it and what good will it do?"

About six months ago there was published in some of our magazines an article which contained statistics. They pointed out, it seemed to me, absolutely just what is accomplished by the influence of men. This article contained tables showing tests that had been applied to different groups of boys (and girls, too) between the ages of twelve and eighteen, most of them between the ages of twelve and sixteen. They were asked a number of questions. One of them was something like this:

"Is it just as bad to steal from a railroad company as to steal from an individual?" Of course, they might just as well have transposed that, for the purpose of banking, and said, "Is it just as bad to steal from a bank as it is from an individual?"

One other question that I have in mind is, "If you went to a store and made a purchase and gave the storekeeper a piece of money which was more than the amount of your purchase and if he gave you in change more than you were entitled to, would you keep the extra money that was not yours or would you give it back to the storekeeper?"

There were five or six or maybe a dozen other questions on those same general lines, to show whether the boy or girl was thinking right, whether he was honest in his heart or whether his idea was to see how much he could get out of life and whether he had any idea of responsibility that he owed to other people.

A Major Dishonest

THE last question about the money was answered by 64 per cent of them saying that they would keep the money and would not return it at all, although they knew they got too much.

The result of the whole examination was that the lowest group had a percentage of right answers of fifty-six.

Who was that lowest group of boys? They were the average boy of today. They were public school boys.

Well, we go up in the list and there was a group that had a little higher percentage and still another group that had a higher percentage. So we go on to the top group. The top group of the eight or ten had a percentage of eighty-two.

What was that group? That was another group of the average boy. It was a group of public school boys. The difference between the two groups was just this. The group of 56 per cent right was a group that was not under (except in the sense that every schoolboy is under some man's or woman's leadership) the leadership of any

man; it did not have the benefit of a man's ideas and of a man's ideals; and it did not know how the right kind of men were living.

What was the influence surrounding the group that had 82 per cent right? Public school boys—yes. But they were public school boys plus something else, and that "plus" made just the difference between fifty-six and eighty-two. The "plus" was the influence of a red-blooded man, who had taken charge of that group of boys and had acted as their leader and their guide in the work of the Boy Scouts, most of them for two years.

And the article said that probably the percentage would have been higher yet but for the fact that in that group, while most of those boys had been under the influence of their leader for two years, there were a few who had come in only recently into the group and who had not had the benefit of his leadership for any length of time. They said that that probably made the percentage only eighty-two and that otherwise it would have been much higher.

If you took all the intermediate groups which this article sets forth you would see the same thing applicable. The group that had the leadership of a man was the group that had the better showing.

The Influence for Good

YOU may believe that it is impossible for an influence of a man to do any good to a boy merely by being with him, but if you ever tried it you would be satisfied that you were wrong. It not only is possible but it has been demonstrated in hundreds and hundreds of cases. I do not mean that you preach to the boys. That is not the thought at all. You cannot preach to the boys and get the best results.

All that is expected and all that is wanted and the thing that brings the best results is not to try to preach to them, but just to be with them and let yourself be reflected in what you do and in what you say, and then you will find that they take hold of that and try to pattern their lives after it.

No doubt many, many of you have boys. If you have, I think you have found out before this that every boy is a hero worshipper. He is tying himself onto somebody whom he has picked as his hero, and whether it shall be the right kind of a leader who shall be his hero or the wrong kind of a leader is the thing that we men have a whole lot of control over.

Shall we let them go out on the corners and into the pool rooms and other places that are perhaps as bad and there try to find their heroes? We know what kind of heroes they find there. We know that they find there the "hero" who leads them into wrong. Or shall we try to gather them into some place where we can get them and have some man look after them, and there try to let that man show what he is and win their confidence and then their esteem and so become their hero?

If we could get our young men to be the kind of citizens they ought to be and could reach them in their period of development, we would have a country in which the idea of patriotism would not exist merely in time of war, but in which the idea of true patriotism would exist at all times; we would have a country in which

the boys and the young men would realize that it was quite as patriotic to be thinking of their government and of their duties as citizens when our country was at peace as it was to be willing to offer their lives when the country might be at war. Too many of our young men think that the only time to show patriotism is when we are at war. Of course, the time to show patriotism is equally great when we are at peace.

This then is a problem that is not local. It is not confined to any section of the country. Every section has the same problem knocking at its door. If you have not looked into it, you do not know probably the condition that exists in your section. I happen to know the condition that exists in New York, and I have no doubt in the world that a similar condition exists everywhere else.

An Appeal to Manhood

I HOPE an appeal may be made some time and some place by somebody which will reach the hearts of the great body of men of this land of ours so that when the boys knock on the door and ask for a man as their leader they will not have to be told that the manhood of America is not willing to respond to the call.

I hope the time will come when men's consciences will be stirred to the extent of being willing to render that additional service to their country, a service to the boyhood of America to make it a better manhood, a service which will not only make the boys better and so the country better, but a service which when once rendered by the men will fill them with an experience that perhaps they have never had before and which will make their hearts throb and their blood circulate with a greater rapidity and with a thrilling throb that will make them realize that their service on this earth, as good as it may have been in the past, has yet never reached the height that it has reached when they are now giving of themselves in their service for mankind. The man who does it will find the return that can come from nothing else in the world commensurate with it, the return that no money or compensation of that kind can ever possibly begin to pay for, the return of a consciousness, of a service rendered, not for self, but a service rendered others, for the good of mankind.

Bank Crash in Austria

Copyrighted dispatches to the *New York Times* tell of Camillo Castiglioni, known as the richest man in Austria, going bankrupt, and the Depositen Bank, in which he was the moving figure, closing its doors. Other financial and commercial enterprises sponsored by Castiglioni also failed, the dispatches say, and Castiglioni fled to Italy. The Austrian Government has made his return to that country contingent on his posting security of \$4,200,000 to cover losses to investors in his concerns.

Use of Silver Half Dollars Urged

Governor Benjamin Strong of the Federal Reserve Bank of New York has sent out a circular to member banks in which he asks that they use more half dollars and fewer quarters for the next few months.

Making Securities Secure

BY JOHN E. EDGERTON

President, National Association of Manufacturers

Future of America Threatened by Loss of Spiritual Values in Fog of Materialism. Demagogues Undermining Structure of Country by Drives on Constitution and Judiciary. Too Much Static in Our Citizenship. Apathy of Voters is Responsible.

THE very worst thing which threatens the future of America today is the frightful loss of the sight of spiritual values in the fog of materialism which has settled upon us within recent years, and the loss of the sense of individual responsibility in our reckless striving for advantage. No sincere student of history and of life can escape the conclusion that at the base of every economic, political, or other problem, there is a moral problem, and that the ultimate solution of all problems will be found only in the common recognition and proper utilization of spiritual forces.

It matters not how ideally the economic factors in the general situation are functioning nor whether Congress is quiescent or in eruption, a general condition of unhappiness prevails and nothing runs smoothly very long when a people in their attitudes and practices grow indifferent toward those higher obligations from the performing of which the eternal values proceed. There is a general expectation of too much from Congress, both from the standpoint of capacity of that body to deliver and from that of its proper functions. If some person, organization or other power can devise some method by which honest work will be restored to the program of the average American, reckless extravagance eliminated, and the passion for unearned ease and amusement subdued, the first necessary step, in my opinion, toward the permanent solution of all our problems will have been taken.

How to Do It

THERE is no formula for improving a government without raising the standards of its citizenship. Bad citizens can not make a good government, nor can good citizens make a good government out of bad men as material; for those who make governments necessary are not those who make government strong, and as the necessities for government expand, the necessities of government contract. If, therefore, we would have less government in business, we must make more government unnecessary by the manner in which business is conducted. And if we would have more business in government we must have more business men in government.

We should have, must have, more men in Washington who will not be there to serve their own necessities resulting from failures in their own professions or trades. Six thousand years of recorded history, assisted by all of the Burbanks whose beneficent genii have blessed mankind, have not yet revealed an instance of the gathering of

grapes from thorns nor figs from thistles. Yet the citizens of this country, heedless of the warnings of history and of all the wisdom of the past ages, keep right on trying to make statesmen out of politicians, and expecting to gather coconuts from peanut vines.

In the average American community and as a general rule, that person has the best chance for public office who has displayed no qualifications for it except the gift of a smoothly running tongue, the ability to make the most glittering promises of what he will do for the so-called down-trodden, tax-ridden masses, and the facility with which he can denounce the damnable corporations, trusts, combines and plutocratic interests. If his community or state is normally Democratic, he will arm himself with a few quotations from the Life of Jefferson, the Declaration of Independence, and the latest most virulent phillippic against Wall Street, then mix these in with a few anecdotes and much talk about the masses versus the classes, the whites versus the blacks, and something else versus nothing else that will appeal to the prejudice and ignorance of men.

Waving the Flag

IF he lives in an atmosphere of traditional Republicanism, he must be familiar with the high spots in the life of Hamilton, able to quote forward and backward Lincoln's Gettysburg address and a few lines from the Constitution; then, if he can weave these into a few incoherent but high-sounding utterances concerning the absolute essentiality of a tariff of indeterminate altitude, and a few condescending remarks about the incapability for leadership of those born below "the imaginary line between cold light-bread and hot biscuits," no questions will be asked nor a black ball voted.

If he discovers himself in a section where there has just been a shortage in crops or an over-production, resulting inevitably in a winter of discontent, because there is an insufficiency of either commodity or price, he immediately changes from whatever he is into a so-called Progressive, which, being interpreted in the light of modern theory and practice, means one who has the uncontrollable impulse to move from where he is to somewhere else without reference to either the direction or the consequences of the movement. Then he tells the people how he is going to have repealed all economic and natural laws and supplant them with such abstruse experimentations as the McNary-Haugen Bill, or others which will automatically reduce the pressure from men

to work, save and sacrifice. If, perchance, he finds himself in a section from which there have escaped nearly all reason and all inclination to earn by the sweat of its own brows, of course, he must be a Socialist and set up a howl for a division of what others have acquired. Ofttimes he is a Socialist long before his political degeneracy is recognized by his associates in other parties, and is compelled by ultimate exposure to pull off his mask.

It has come to pass that the terms "Democrat" and "Republican" have ceased to be sufficiently descriptive to identify anybody's political faith. It is necessary to know which of several sorts, of what degree, or which zone, and whether static or dynamic, also a little about the ancestry of the subject, before it can be even surmised what he is.

The Politician's Motive

WITH the common run of representatives in our various legislative bodies, it has ceased to be a question of what is good for the country, what is American, or what is constitutional. It is rather what is best for the party and for his own political self-perpetuation. The answer to the question usually determines his position with respect to any subject of consideration however important. The spirit of unsportsmanlike contest for the plaudits of the crowd has been and is now the prolific breeder of all sorts of vicious legislation, and the chief obstruction to a sane consideration and enactment of measures consistent with the genius of our established institutions and for the benefit of all the people. Its damnable, un-American, and un-Christian products may be seen in the plethora of legislation proposed and sometimes enacted in the selfish interest of some bloc, section or class. This is the very day and condition which the immortal Washington glimpsed through the years, and against which he uttered with the voice of a prophet this impressively significant warning:

"Let me now take a more comprehensive view and warn you in the most solemn manner against the baneful effects of the spirit of party generally. There is an opinion that parties in free countries are useful checks upon the administration of the government, and serve to keep alive the spirit of liberty. This, within certain limits, is probably true; and in governments of a monarchical cast, patriotism may look with indulgence, if not with favor, upon the spirit of party. But in those of popular character, in governments purely elective, it is a spirit not to be encouraged. From the natural tendency, it is certain there will always be enough of that spirit for every salutary purpose; and there being constant danger of excess, the effort ought to be by force of public opinion to mitigate and assuage it. A fire not to be quenched, it demands a uniform vigilance to prevent its bursting into a flame, lest, instead of warming, it should consume."

Has it not already burst into a flame? And is it not already consuming some of our most cherished political ideals?

The Direct Primary

IN my own opinion it all goes back to those unhappy days that witnessed the birth of the direct primary law and the amendment to the Constitution to elect United States Senators by direct vote of the people. If there shall be a Gibbon to write the Rise and Fall of the American Republic, he will undoubtedly open the first chapter of the second part of his gloomy story with a citation of those portentous events. He will show the pronounced process of degeneration that began on that day in the type of men attracted by public service, particularly in our legislative bodies, and will point out the diminishing number of those who know the right and have the courage to follow its course regardless of the cost to themselves. He will recite the fact that the ablest and wisest body of men who ever met for a political purpose intended, by the very manner of their creation, that the Senate branch of our Congress should forever be an effective check upon the House of Representatives.

The members of the higher body were to be selected in equal numbers from the various states by a process that would lift them above the popular clamor, and they were to be the representatives only of the sovereign power of their states. The members of the House of Representatives were to be elected in an entirely different manner, and were to be the direct representatives of their popular constituencies. The incomparable builders of our Constitution endeavored assiduously to guard against the political apostasies which had wrecked other nations through the ages. They were conscious of the presence within their own company of a few of the same political off-breeds as we find today in larger numbers among those who undertake similarly constructive works, men who are identified by their blatant contempt of history, their swaggering appeals to the mob spirit of the crowd, and their noisy consort with those elements in every nation who ever think and talk of getting and never of giving.

It was one of that stripe who suggested that something be put in the Constitution that would particularly strike the fancy of the people. And it was then that the presiding officer, George Washington, arose and remarked that "If to please the people we offer what we ourselves disapprove, how can we afterwards defend our work? Let us raise standards to which the wise and honest can repair; the event is in the hand of God." The historian of our decline will show how far and under what disintegrating influences we have drifted from those standards; how this carefully drawn line of demarkation between the two houses of Congress has been almost blotted out by the gloved hand of the socialist; and how this same blighting hand, trained in the arts of destruction, is at this moment trying to fasten its shadow fingers upon the very throat of our judiciary system. By means of the direct primary and other devices it has about transformed the legislative department of our government into a mere sounding board to catch and throw back the babel voices of the mob.

IF it can now emasculate the judiciary by the injection of a spurious democracy, the last citadel of our liberties will be reduced to smoking ruins, and the way will be prepared for the triumphal entry of the soviet king waiting just outside the gates.

To impress upon you if I can and if it is necessary, the infinitude of the importance which attaches to this glowering issue as to whether the Supreme Court of the United States should be made obedient to the will of those very elements against whom it was designed to protect our freedom, let me recall to your minds these clear, impressive utterances of Chief Justice John Marshall:

"The Judicial Department comes home in its effects to every man's fireside; it passes on his property, his reputation, his life, his all. Is it not to the last degree important that judges should be perfectly and completely independent, with nothing to control them but their God and their conscience? I have always thought from my earliest youth till now that the greatest scourge an angry heaven ever inflicted upon an ungrateful and sinning people was an ignorant, a corrupt or a dependent judiciary. . . . That in a free country with a written constitution any intelligent man should wish a dependent judiciary, or should think that the constitution is not a law for the court as well as for the legislature would astonish me if I had not learnt from observation that with many men judgment is completely controlled by the passions."

If there ever was anything against which the solid citizenship of our country should hurl the full weight of its merciless resistance it is the impudently recurring attempts of charlatans in various disguises to weaken the arm of our courts by cunningly drawn statutes and amendments to the Constitution.

The Law Factories

NOW that the productive capacity of the nation's printing presses and its law-enforcement machinery are overtaxed by the volume of involved statutes proceeding in incessant freshets from its legislative bodies, and because it seems to be the shorter cut to the ends of destruction, it has become a fad, or rather a disease, to try to amend our Constitution; and by amending it to render inoperative the wisest provisions of its original architects and builders. During the session of Congress just preceding the last, nearly one hundred proposals for subtraction in the seductive forms of addition to our Constitution were made; and this number was exceeded during the last session. In practically all of these amateurish projections of experiment in reform, there is a striking similarity of patent intent; and that is to impair the sovereign rights of the states; to centralize the powers of the Federal government at those danger points where there is least qualifications for their judicious exercise; to multiply and socialize the processes of government; and to further increase its already stupendous cost by creating new jobs and easy positions for the reforming geniuses and their friends.

When we reflect that under our present system in its swollen and patched-up state, one-eighth of the national income is required for the purposes of government, and that every eleven gainfully employed persons above sixteen years of age are supporting one public employee, is it not enough to discourage serious consideration by any civilized people of any proposition from whatever source to add anything to this staggering burden?

Just one of the concrete proposals which

embody the evidences of these fatal tendencies, and which by every honorable means and sacrifice should be resisted, is the so-called Child Labor Amendment. It is meant to serve the double purpose of so restricting production as to compel uneconomic advances in wages and to so expand the powers of the Federal government as to require the creation of more public offices, and a further excuse for raising the cost of government. It would not serve but would defeat the very humanitarian purpose which its disguise suggests. By the prompt advantage which would be taken of its provisions, it would release from profitable, healthful and otherwise helpful employment thousands of robust young Americans in communities with inadequate educational facilities and force upon vast numbers an idleness hurtful alike to themselves and to society. The states should refuse to surrender in this instance their right to guard, protect, and regulate the lives of their children in a manner not to interfere with the natural processes of education and religion.

How Security Comes

NO business of any sort is or can be stronger than the social structure which supports it. Securities are secure only in proportion to the strength of the government which is the ultimate guarantor and defender of their value! And government is as strong only as the combined intelligence and morals of the citizenship to which it is responsible. Recognition of and respect for property right move up or down with respect for an obedience to law and constituted authority. That man of high or low degree who wilfully disregards any law of the government which protects him has no quarrel with the anarchist or the Red. The only difference between them is in the laws which they respectively choose to violate and in the persistence with which they practice their anarchy.

I think it is clear to all who read, study and observe that never in the history of this country was common respect for law, for property right and for human life as low and unassertive as it is today. America is rapidly becoming de-Americanized by forces out of sympathy with its institutions and the principles of its government. The Bible of our fathers, around which our civilization was started, is being driven out of our schools; and, in the sacred names of tolerance, and of religious and political liberty, we are suffering our country to be invaded by alien conceptions and theories of government, law and religion. The elements of distrust and suspicion, prejudice and hatred, discontent and vengeance have been multiplied and are being brought together into a dangerous power by an enterprising genius from Wisconsin who is normal only when he is abnormal, and never happy except when conspicuous as either a destructionist or obstructionist. At this time he is the nation's chief liability. Yet, such a demagogue and the forces which he typifies and represents could not be a menace in this enlightened country except for the fact that approximately seventy per cent of the qualified voters of this nation are taking no sustained interest in their government.

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Banker's Place in Mortgage Field

By FRANK J. PARSONS

Vice President United States Mortgage & Trust Co., New York

Skillfully Supervised, These Investments Have Withstood All Shocks Business Has Experienced in Fifty Years. One of the Soundest Investments. Changes in Methods Have Greatly Eliminated Objections Raised from a Standpoint of Liquidity.

MANY events of national and international importance have taken place within the last fifty years. Wars have been fought; periods of depression have followed periods of inflation. There have been good crop years and bad crop years. Fires have devastated great sections of some of our cities. The Pacific Coast has been rocked by an earthquake. Tornadoes have gone their mad way through sections of the West and South; floods have inundated large areas of cities. Tropical hurricanes have swept into the cities of the Gulf. Horses have been largely replaced by automobiles; transit facilities have been revolutionized; the structure and plan of our cities have been altered almost beyond recognition. But mortgage investments supervised by skillful and experienced people have withstood all of these shocks and changes, and have kept the principal intact, with a fair rate of interest, to a degree scarcely obtainable in any other class of security.

Factor of Liquidity

WE have therefore come to look upon a properly conceived and intelligently handled mortgage as one of the soundest investments imaginable. In times past an argument with a considerable basis of truth was advanced against mortgage investments from the standpoint of liquidity, but the changes in method and procedure which have taken place during the past decade have largely eliminated this objection. Our own company was one of the pioneers in this country in its insistence upon semi-annual reductions of loans, a subject to which your division has given serious thought of recent years, and this factor is now almost universally employed by sound lenders. An investment in mortgages of this class is in essence a revolving fund, from which an easily determinable percentage of the total investment is returnable at stated intervals, and which may be either reinvested or made available for the changing necessities of the investor from time to time.

As an illustration of the desirability of a mortgage investment fund for banks, especially if the list is a well diversified one, it is recalled that during the Panic of 1907 I was called upon to request payment at maturity, arbitrarily, of more than 600 mortgage loans, in order to assist in providing funds for the steady drain which was placed at that time upon all banking institutions in New York. As a result of this call, made during a period of extraor-

inary depression, payment of all these mortgages at par, with interest, was secured, with but a single exception. When this record is contrasted with the severe losses which were sustained in the forced sale of bonds and listed securities in order to obtain funds during the same period, a strong argument for sound and conservative mortgage investments is obtained.

In actual experience, and through observation over a period of years, I have been impressed with the losses incident to the foreclosure or reorganization of various other classes of securities, and have become convinced of the relative simplicity of the process of reducing to possession in the case of the very occasional instances where conservative real estate mortgages have gone wrong. There is something extremely tangible behind real estate securities, and it is capable of being reduced to simple elements. There are no expensive reorganization committees, involving cooperation with numerous other committees, large legal fees, or the numerous complications incident to the usual foreclosure or reorganization transactions. Assuming good title, the lender can, in the event of difficulty, inspect a specific, tangible parcel of property and be comforted with the thought that the worst that can happen to him will be the acquisition of that particular property for his debt.

Best Guarantee Against Loss

GREAT emphasis has been laid in recent years upon the importance of a guarantee, and much can be said in favor of this policy. In many quarters it is felt, however, that too much stress is being laid upon the guarantee, particularly if it is that of some outside and non-affiliated institution and one inexperienced in the mortgage business. Too little inquiry is being made as to the experience and standing of the issuing house and to the value and desirability of the underlying security. By reason of the guarantee, investors in large numbers are purchasing securities which upon careful investigation they would otherwise hesitate to purchase, and, consequently, a false sense of security is being created and a tendency to reckless lending encouraged.

Experience has demonstrated that the best guarantee from loss, both from the standpoint of the lender and of the investor and, incidentally, the best interests of the borrower, is the character and experience of the issuing house, conservative appraisals, a substantial equity in each individual property, careful supervision, and

provision for continuous reductions of the loan.

The safety and desirability of building or construction loans has also been demonstrated. The supervision and detail necessary to this type of investment deters many lenders. The hazards, however, are not insurmountable, and the corresponding advantages are a higher interest rate, complete knowledge of the construction and arrangement of the building, and in general a better type of business.

As an evidence of the immensity of the problem of financing new construction, the figures of the F. W. Dodge Corporation are illuminating. A report as of Aug. 1 indicates that for the first seven months of 1924, contracts awarded total \$2,668,819,000. The report covers thirty-six Eastern states and estimated to include about seven-eighths of the total construction in the United States. The decreases indicated for contracts awarded over the corresponding period for 1923 are confined to the Pittsburgh district, where there is a 15 per cent drop; the Chicago district, with a 5 per cent decrease, and the Minneapolis district, with a falling off of 33 per cent. The total mortgage holdings of the twenty-seven leading life insurance companies of the country at the close of 1922 amounted to but \$2,558,527,000, an amount less than the figure for new construction for the first seven months of the current year. The total assets of all building and loan associations in the United States was recently estimated by the New York State League of Savings and Loan Associations at approximately \$3,000,000,000, being only about twice the amount of the construction program for the first seven months of 1924.

Assistance by Trust Companies

THE assistance given in financing mortgages by trust companies is little indicated by their annual reports. Cleveland is an exception, where the Cleveland Trust Company, as of June 30, 1923, held \$56,000,000 of mortgages with total assets of \$191,000,000, and the Union Trust Company, \$46,000,000, with total assets of \$283,000,000. In St. Louis, however, where the statement of the Mercantile Trust Company indicates but \$3,900,000 of mortgages out of total assets of \$64,900,000, and the Mississippi Valley Trust Company, \$1,180,000 of mortgages out of \$37,000,000 of assets; both of these companies do a very large mortgage business, placing the loans with their clients in St. Louis and throughout the country. The same is true

with the Fidelity Union Trust Company of Newark, N. J., carrying but \$2,000,000 of mortgages out of \$64,000,000 assets, but doing a large business; and with our own company in New York, whose present line is but \$3,400,000 out of \$68,000,000 total assets, but with mortgage agencies in sixty different cities and doing a large mortgage business with corporate and individual clients. In these cases the mortgage account is merely a sort of a "clearing house" for the business which is constantly coming in and going out.

A relatively new influence in the mortgage field, but one which has assumed substantial proportions, is that of the Federal land banks and the joint stock banks. Since organization the combined Federal and joint stock banks have granted 382,439 loans aggregating \$1,450,512,065. Of this substantial amount the Joint Stock Land Bank of Chicago, with \$56,000,000 outstanding, is the largest of its type and the Federal Land Bank at St. Paul, with \$118,000,000 is the largest in that class.

Influence of Insurance Companies

THE powerful influence of the great life insurance companies in meeting the housing shortage of recent years has been a very important factor. The Metropolitan Life Insurance Company of New York, which took the lead splendidly in this situation, has within the past four years loaned \$225,000,000 on housing enterprises and has outstanding at the present time in city mortgage loans \$516,360,000, by far the largest amount held by any life company. The Prudential Insurance Company has also specialized in housing loans, and as of Sept. 1 had more than \$180,000,000 outstanding covering dwellings and apartments. In 1911 the Equitable Life Assurance Society worked out a plan for small loans to home-owners which is called the Home Purchase Plan. Since that time they have made 25,787 of these loans aggregating \$73,304,000 and scattered throughout 240 cities of the United States.

For reasons which are apparent to all, however, the savings banks of the country are particularly qualified to carry a very large share of the mortgage investment total. The total assets of all savings banks in the United States as of June 30, 1923, were approximately \$18,000,000,000, and assuming that about 55 per cent of the assets consist of first mortgages upon real estate, it would indicate that nearly \$10,000,000,000 of savings deposits are invested in mortgages. Of the great savings banks in New York City, the Bowery Savings Bank, ably directed by William E. Knox, carried as of Aug. 1, 1924, mortgages amounting to \$144,392,965. The mortgage account of this bank is steadily growing, the advances for the first six months of 1924 being at the rate of \$38,000,000 per annum against \$24,000,000 for 1923; while the Emigrant Industrial Savings Bank, under the skillful guidance of John J. Pulleyn, has a mortgage investment account of \$234,744,775, the amount advanced to date during 1924 being at the rate of more than \$30,000,000

per annum, as against \$25,000,000 during 1923.

It seems needless to dwell upon the admitted advantages of the banker in taking a lively interest in all matters which bind men to their communities through the fostering of home-ownership and the legitimate expansion of their business properties. Such advantages are manifold and self-evident. It should be the duty of bankers, however, especially during periods of high building and labor costs such as the present, to maintain, resolutely, a conservative position. This will mean the loss of some business. It is not so important, however, for one who views the subject from the standpoint of the good of the business as a whole, to do a highly competitive and excessive amount of business, as it is to assist in establishing and maintaining sound policies and safeguards which will make for permanence and continued satisfaction.

The Modern "Napoleons"

DURING recent years a group of mortgage houses, which I choose to term as "modern Napoleons of mortgage finance," have sprung up like mushrooms and in some instances prospered beyond the wildest dreams, in part at least, by disregarding some of the principles which have always been considered essential to permanent safety. The most fundamental of these is the percentage of loan to security. Eighty per cent, 90 per cent and 100 per cent loans based upon present prices can by no stretch of the imagination be classified as bonds. They are in effect shares in the property and issued on the basis of excessive costs and charges for commissions and services, which may well be found burdensome, if not ruinous. This tendency, which has as its basis inexperience, ignorance of sound principles, or the greed for gain and the feverish desire for volume, has naturally been confined largely to those enterprises conceived by people of a speculative turn of mind and whose individual investment in the enterprise is but slight. On a scale of falling prices and lowered rents, the nominal owners of these properties will find themselves merely unpaid collection agents for the lender, and, with little at stake, will be certain, in large numbers, to turn over the property to the actual owners, the bondholders.

Another fundamental error, in my judgment, has been largely to disregard the old bases for appraisal and to insist that the test of value shall be a capitalization of rents, and this not over a period of years, but at what may well prove to be a highwater level, which, with the ebbing of the tide, will demonstrate the fallacy of the theory. Other minor but important factors which are being too often overlooked are the wisdom of impounding with a trustee construction funds if bonds are sold in advance of completion of the building, and the use of independent corporate trustees in connection with bond issues.

The foregoing criticisms are made after giving due credit to the very real contributions which have been made of recent

years to the wise art of mortgage lending. Among these might be mentioned the provision for the monthly deposit of rents to cover charges, consistent amortization, the concentration upon new structures and strategic locations, and greater attention paid to the details of arrangement and construction.

No student of such matters anticipates seriously a complete return to the old levels. The spread of education, the progress of invention and the general advancement of the world, making the luxury of yesterday the necessity of tomorrow, makes a return to former conditions unthinkable. A number of factors, however, all within the realm of possibility, may make for a reduction in present cost, namely, a change in our immigration policy, depression in general business, or the law of supply and demand, as far as building construction is concerned.

The Future Trend

WITH regard to the present and probably future trend of building costs and rentals, while there are differences of opinion, the majority of the recognized economists hold to the view that these factors are now pointing downward, the degree depending on local conditions. In other words, in making due allowance for special conditions obtaining in certain sections, the shortage of structures has been largely overcome, and to the extent that this condition is not taken into account in the future, there will eventually be a surplus of buildings, vacancies, a lowering of rents, decreased earnings. Like a straw pointing the direction of the wind in this particular is the report of the National Association of Building Owners and Managers, having to do with the operation of apartment buildings in different cities. Their report indicates a percentage of vacancies for 1923 of 5.47, as against 2.85 for 1922. Again, the survey of the real estate market, published by the National Association of Real Estate Boards, as of June 1, 1924, may be summarized as follows:

The real estate market the country over manifests a fairly satisfactory degree of activity.

Residential rents have clearly passed the peak in the country as a whole and are being stabilized at present levels, with a downward tendency in some quarters.

Building shortage is reported fairly well overtaken.

For the most part, money for the development of real estate is plentiful, but investors and lenders are assuming an attitude of caution and severity, particularly toward speculative enterprises.

The labor situation in the building trades is more satisfactory, with a possibility, however, of a temporary inflation this fall. Building activity is not quite so great as it was in November, 1923.

As to the marketability of property, both residence and business, the turnover is running about 60 per cent as compared with November, 1923.

In rentals, the average from the cities reporting is 10 per cent upward, as against 40 per cent in November, 1923; 74 per cent

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Shall Banks Charge Unprofitable Checking Accounts?

BY JOHN F. TUFTS,
President, Union Market National Bank

Marked Increase in Number of Checking Accounts, with Larger Overhead Expenses and More Care Needed in Handling Small Balances Make it Imperative for Banks to Exact Service Charge. The Loss of Desirable Customers to Banks Would be Negligible.

THERE are three principal causes making this question of charging the unprofitable account of importance to commercial bankers.

First.—The tremendous increase in recent years in the number of people who have become acquainted with the convenience, security and other advantages afforded by a checking account. Many of these people desiring to have checking accounts, have no idea of bank costs and their accounts are not self-sustaining. They would willingly comply with a reasonable service charge plan or balance requirement if the need for it were explained to them.

Second.—The war period and the consequent rapid advance in cost of employees' salaries, check books, pass books, stationery and other supplies has greatly increased bank expenses. An average balance sufficient to pay for carrying a checking account ten years ago is entirely inadequate today.

Third.—Unprofitable accounts as a class require proportionately more care and time and involve greater risks than profitable accounts. Tellers windows have been congested and transit and bookkeeping departments are clogged to such an extent by the transactions of hundreds of unprofitable accounts that it is increasingly difficult to render the best type of service. In many large city banks it is rapidly getting to be physically impossible to furnish banking facilities unless under some service charge plan or with a proper balance requirement. The number of unprofitable accounts in some banks is almost unbelievable. A bank located not many miles from Chicago wrote me that 44 per cent of their accounts carried a balance of less than \$25 per account. They found there was an average annual loss of \$10.45 on each one of many hundreds of their accounts, making a total yearly loss of several thousand dollars. Their vice-president wrote: "We keenly feel the necessity of finding some way of reducing this tremendous annual loss."

How Banks View It

THE unprofitable account is treated in a variety of ways by different banks. Some banks decline to handle such accounts.

Some banks have an adequate and equitable service charge plan determined after a careful examination of present-day costs.

This is by far the best method of handling the unprofitable account problem.

Some banks have an inadequate service charge plan. Usually this is a plan adopted some time ago and not yet brought into line with conditions now existing.

Some banks nominally require an average balance or a minimum balance of a certain amount, but as a matter of practice do not enforce the requirement and therefore have many accounts on which they lose money.

Some banks have given little thought to the matter and do not know even approximately what their per-item costs are. They would be greatly surprised to know how much money they are losing every year on unprofitable accounts.

The Three Questions

LET us consider the question of whether we shall charge the unprofitable account from the standpoint of legality, equity and policy.

There may be difference of opinion about various matters connected with banking, but there are some facts we all know and about which we all agree. For example we all know a bank (the word "bank" in this discussion means a commercial bank or trust company, rather than a mutual savings bank), is not a philanthropic organization or a charitable institution, but is a business corporation organized under Federal or State laws and authorized to carry on a particular kind of business. Although operated under Government supervision it is not a paternalistic proposition like the post office, where a deficit occurring in operation is made good by taxes levied on the public. Before a bank can commence business its capital stock must be paid in by its shareholders, who assume the risks of the business to the full extent of the par value of their stock and in addition they are liable to assessment. The stockholders who must share the losses are also entitled to the profits.

It is well recognized that bank officers and directors have no legal right to make contributions of the bank's funds to any person or organization, no matter how worthy the recipient may be. On May 22, 1918, Congress passed an act making it lawful for national banks to contribute to the American National Red Cross, but

limited such power to the duration of the war then existing.

A Greater Responsibility

BANK directors should not need to be reminded that on account of the fiduciary nature of the position they occupy there rests on them a very great degree of responsibility for the way in which their stockholders' money is used.

All activities engaged in by a bank, including those carried on in an effort to secure favorable advertising or create good will, should be scrutinized with care if the expenditure of money is involved in order to determine whether the results accomplished are in proper proportion to the cost.

I do not believe bankers can legally justify their action in permanently carrying without charge a substantial number of accounts on which they know or should know they are continually losing money that belongs to the stockholders.

Something for Nothing?

FROM the standpoint of equity and economics, although a bank is not a dealer in merchandise in the generally accepted sense, nevertheless it has something definite to sell: its service and the use of its financial facilities. Its compensation or selling price for the use of its facilities should be based on the cost of furnishing them. How long could a merchant carry on business if he continually sold unlimited quantities of desirable goods below cost?

A bank not only resembles a merchant but it is also like an insurance or surety company in that it guarantees to make good any loss occasioned under certain circumstances, such as for instance, the loss sustained by the customer if his check is paid to the wrong person. This is one of many risks, hazards and responsibilities assumed by the bank for the protection of its customers. How long would an insurance company stay in business if it issued policies of insurance without payment of premiums?

There is no question about banking facilities being of great value to the depositor. It is equally certain they can only be furnished at considerable cost to the bank. Therefore it seems equitable and proper to ask the depositor either to maintain on deposit, a balance commensurate with the value and cost of the service rendered or

to pay a fair service charge. Down through the centuries has come the statement: "The laborer is worthy of his hire." If a competent laborer works faithfully, the justice of his claim for reasonable compensation is not usually disputed.

Chasing Will-o'-the-Wisps

AS to the question of policy, the chief arguments usually advanced in opposition to the installation of a service charge plan or definite requirements as to the amount of average balance to be maintained are that small accounts frequently bring desirable business to the bank, either

through their own growth or otherwise, and that goodwill might be injured by a departure from a liberal policy of accepting accounts without charge regardless of size of balance or amount of activity. With the praiseworthy ambition of fostering goodwill and increasing deposits, we are in hearty sympathy, but in the present instance bankers will find if they make a careful investigation of the matter that they are pursuing a very elusive will-o'-the-wisp. Statistics will prove a relatively small percentage of unprofitable accounts become self-sustaining of their own accord. On the other hand a service charge plan invariably results in

increased deposits, as many customers can arrange to carry better balances if there is some incentive to do so. Goodwill is always desirable and has a value not easy to compute in dollars. The experience of many banks shows a reasonable service charge on unprofitable accounts will not alienate or unfavorably affect it.

I have yet to hear of a bank that regretted installing a carefully considered service charge plan. I believe that if the need for service charges on unprofitable accounts is explained in detail to the customers of a bank there will be very little unfavorable criticism from them.

Bringing the American Institute of Banking to the Country Bank

By STEPHEN I. MILLER

Educational Director, American Institute of Banking

THE American Institute of Banking has endeavored for several years to reach the country banker with its educational program. The more specific reasons for extending Institute education to the smaller centers are as follows:

These employees do not enjoy the privileges of night schools such as exist in the larger cities.

They do not have the benefit of civic organizations to the same degree as a city banker.

They are the points of contact with farmers and small tradesmen. The welfare of the United States largely depends upon the power and inspiration of the country banker to translate sound economic and banking principles to the people who constitute the heart of democracy.

The smaller localities are to a large extent the recruiting ground for the profession of banking. A recent survey discloses the fact that of 682 senior bank officers in the largest cities of the United States, 406, or 60 per cent, were born in the country or in small towns.

Of the 682 senior bankers of large cities, 427, or approximately 62 per cent, had a high school or college education. The conclusion is reasonable that the smaller environment, coupled with an education, makes for success in the banking field.

INASMUCH as the bank employee in the smaller locality does not have the privilege of night schools, there remain but two ways in which an education can be obtained, that is, either by independent study or by correspondence.

An education through independent study can be dismissed with but few comments. There is not one man or woman in hundreds who has the inspiration and industry to study independently. It is true that Lincoln and many other pre-eminent leaders were self-educated, but it must be remembered that their success was not due to the system of education employed. The world marvels at their progress in spite of an educational handicap.

Education by correspondence has proved to be disappointing; figures for student mortality in the several large correspondence schools of the United States are not available, but it is a fair assumption that they are startlingly large. In the correspondence work of the American Institute of Banking the loss of students is reduced, due very largely to the fact that the enrolment is entirely voluntary and the students are followed up. The heavy enrolment in many of the commercial correspondence schools is the result of high powered salesmanship.

NEVERTHELESS, it may be said that student mortality in either class or correspondence work performs a definite and important service. Education means an elimination of those who will not develop patience, character, mind discipline and time thrift. In every field there is more seed planted than will ever mature in the harvest period; in every class there will always be found several students who cannot or will not accept a full measure of responsibility. Even in this elimination the American Institute of Banking serves a most useful purpose. Every bank executive may find in the class work a crucial test of the enthusiasm and ambition of his employees. A young man who lacks the vision to prepare for the future is not apt to fulfil the banking requirements of the years to come.

However, let it be put down as a fundamental fact that not all who become discouraged merit elimination. Some of the greatest characters of history have been "salvaged" from discouragement and even despondency. The test of an organization is to be found in its power to make men and not in its record of membership mortality.

Another vital weakness of correspondence education is to be found in the loss of the human factor. Textbooks and other educational material require explanation and interpretation. A large part of the stu-

dent's training consists of self-expression and analysis, which can only be effectively accomplished in class contact. It is the absence of the instructor and fellow members that accounts for the heavy loss of students and the devitalized education in correspondence work.

THE correspondence group instruction plan of the American Institute of Banking aims to vitalize the education of the students through the organization of classes containing from ten to thirty members. Each class is put in charge of an instructor, whose appointment is approved by the national office, who conducts round table discussions, interprets material, and as far as possible directs the work of the individual student. Little difficulty should be experienced in obtaining a man capable of directing class work; in even smaller cities the public schools and banking profession should contain men who would deem it an opportunity to participate in the work. The organization of the respective units will be in the hands of key men chosen from the banking profession in or near the localities where classes are established. In some instances the Institute executive councilman of the district will be able to organize units and at all times should co-operate in the work. The total cost of each course to each student will be \$14, which absolutely represents no profit to the national office. Half of this tuition fee in the case of each student goes to the instructor.

It is too early to make a report relative to the new plan. Organization work is now under way, and it is hoped that in another month definite results will be apparent. The establishment of live and directed study groups is an effort worthy of patience and cooperation. A strong organization for the promotion of this work can be built up only through the zeal and inspiration of those who take part, and it is to these organized workers that we must look for results.

Today and Tomorrow

By WILLIAM RHODES HERVEY

Executive Vice-President, Pacific-Southwest Trust & Savings Bank, Los Angeles

The Trust Company Has Gone Beyond the Letter of the Law and the Contract in Rendering Service. When It Fully Meets Its Obligations It Transcends the Status of Banking House and Becomes an Institution. Value of Trust Company Demonstrated.

OUT of the experience of many years as an officer of a trust company has grown a profound conviction, which becomes deeper day by day, of the tremendous moral responsibility resting upon those corporations holding themselves out to the public as reliable and trustworthy fiduciaries. The legal requirements involved in the purely business, commercial and corporate trusteeships are well understood and not difficult to meet. The duties and obligations of the trustee are surveyed, known and provided for at the time of the creation of the trust. But in that large field of our activities where the trust company appeals to the public for its favor and confidence in important and personal relationships of life and business, a compliance with the letter of the law and the contract is not sufficient.

The spirit of the law and the contract is paramount. Unknown and unforeseen circumstances, with all their implications and exactions, will impose obligations upon the trustee, some legal and many extralegal. The trust company claims a superiority over the individual as executor, guardian and trustee. It recommends to its patrons that they pass over the wife, and the son, and other relatives, the business associate and the lifelong friend, and select the trust company to manage the fortune and guard the interests and serve the needs of the family and other objects of the patron's solicitude and bounty. It cannot honorably do less than all it assumes to do, and it cannot avoid any of the moral obligations incident to the trusteeship. It is this aspect of our business which I propose to discuss.

Requirements Diverse

IT is no light matter to assume the complicated and technical responsibilities involved in rendering an efficient and faithful trust service. The requirements are so diverse, the interests involved are so important and the responsibility is so definite and certain that the successful operation of the business requires an unusual character of personnel and an organization homogeneous in its spirit of service and in its downright honesty of intention and performance. If a trust company fully realizes its obligations and fully performs its duties then it rises above the status of a banking house, or an ordinary corporation, and becomes an institution; but if it fails to realize its responsibilities and to properly perform its functions, it proves itself unworthy of the trust it solicits and will eventually be rated a failure.

The early conception of a trust company probably did not embrace all the functions and humanities that have come to be associated with the present requirements of the business, but, notwithstanding, it was the bold hazard of a dreamer who had a vision greater than he knew. Relying upon the machinery of modern business for the mechanical part of his set-up, and upon the worth that lies in men of character, for another, and the kindness and sympathy of human nature for the third, he raised upon the foundation of a corporation a structure possessing all the efficiency and accuracy of a machine, all the stability and wisdom of an experienced good man, and all the altruism of a friend of the weak, the helpless, the discouraged and the heavily burdened.

Trust Company's Scope

HIS conception of a trust company contemplated an institution that possessed, at once, a knowledge of business and business practice, an understanding of the law and its application to all forms of fiduciary work, a knowledge of and capacity to deal with the infinite variety of property interests entrusted to its care, and a comprehension of the vagaries of human nature, with its weakness and strength, its wisdom and its folly.

A trust company has much to do today. Its accounting work is an endless setting-up of figures and of painstaking preparations of statements. As fiscal agent and corporate fiduciary it must accelerate the business and safeguard the interests of its customers. The property in its possession or under its control must be handled with judgment, decision and skill. As an officer of the court it must be prompt and painstaking in the performance of the duties of executor, administrator and guardian. It must correctly interpret and apply the multifarious revenue laws that constantly intrude to vex and harass its trustors and beneficiaries; it must receive and pay out large sums of money, all in accordance with a well-defined authority, and it must make and preserve reliable records of all transactions.

Duties and Functions

TODAY helpful consultation must be accorded those whose seek advice or direction; instruments must be prepared in a careful and legal manner to properly express the contracts and agreements which are entered into. Today, as the trusted adviser, protector and instrument of others,

it must attack and solve problems, some of difficulty and others of delicacy, realizing that its "yes" or "no" may be fraught with great benefit or dire disaster to those who rely upon its seasoned judgment and its unselfish, good faith. The importunities of the spendthrift must be resisted, the purposes of the miserly must be broadened and humanized, the optimism of the speculator must be sobered and conformed to actualities, the timid and hesitant must be encouraged and strengthened, the inexperienced must be protected from promoters and interested friends, the victims of the imposition of others must be relieved of selfish exactions and unworthy extortions, and the financial affairs of all its customers must be guided and directed along safe, conservative and profitable lines.

The duties of today, in an active trust company, embrace a multitude of human affairs. There is no form of property susceptible to human ownership that does not sooner or later find lodgment, for a time, in a trust company. Each item involves a duty and many items involve problems either simple or complex. Each individual trustor and beneficiary is a personality that must be reckoned with. A trust estate is much more than a group of stocks, bonds and real estate. It is usually a going concern which must be kept going. The testator stops, but his estate cannot stop. The trustor quits, but the trust company engages itself to carry on. The trust company must be prepared today to enter at once into almost any form of business and, having entered, to promptly and properly manage and conserve it.

Heavier Burdens Added

THE revenue laws, with ever increasing and often complicated decisions and regulations, operate to take some of the joy out of each trust officer's day. From year to year this class of legislation is adding a greater and heavier burden upon all fiduciaries and the end seems far away. Changed rulings and dilatory inspections serve to complicate that which is already too complex.

Every day is one long consultation, not only on matters of business, but with respect to the personal needs and requirements of the trust family. Advice is sought, not only on the subject of the scope and benefits of trusts, of taxation, and other business concerns, but also on many matters of family life, such as the schooling of children, the protection of boys and girls, and the proper attention to the manifold needs and requirements of a large number of persons.

These tasks require and demand a fine

sense of duty as well as a wide experience and a genuine sympathy. Trust and confidence, which are the fundamental attributes of such an institution, are secured, not so much by the strict compliance with the letter of agreements, as by the unselfish recognition and performance of those many incidental services which contribute so much to the feeling of security and the happiness of its customers.

Service Sole Commodity

THE banking fraternity are coming more and more to recognize the unique and human character of trust service. The commercial bank deals in money for its profit and gives away service in order to popularize the bank and to win the favor of those having money to deposit. The trust company, on the other hand, must make its living out of service because it has no other commodity to offer to the public. The banker has performed his duty and earned the interest he has charged when he properly safeguards the funds of his depositors and affords proper credit facilities to his customers, but the trust company's duty is not performed until it has fully and fairly rendered the service for which it has charged a commission and has discharged the moral and legal obligations of every kind arising out of its undertaking to render service.

Two thousand years ago Seneca very truly said: "No man hath gods so favorable to him that he can promise himself a tomorrow." A prime characteristic of a trust company is that it can confidently look forward to a tomorrow of life and action, and, realizing that tomorrow today will be yesterday, it can promise today that on tomorrow will be discharged the duties resulting from the contracts and agreements of today. Tomorrow will develop complexities and difficulties unseen today, and, with the vicissitudes of human life and changing conditions, will furnish revealing tests of the soul qualities as well as the business qualifications of a trust company.

Must Meet Problems

IT is not possible to foresee all the contingencies which may arise in any trust relationship, but it is a certainty that the trust company, if worthy of the confidence of the public, must meet without flinching the problems of tomorrow. These things it must do, in many cases, without the audit, check or supervision of any person, because its service is often rendered for those who are dead or absent, for those who are in their nonage or in their dotage, and for those who, by reason of inexperience or lack of technical knowledge, are unable to comprehend, much less to criticize, the actions of a trust company.

Today the trustor or testator exchanges his innate weakness and impermanence for the strength and perpetuity of the trust company in order that, vicariously, his dreams, hopes and plans may be realized tomorrow for the comfort and protection and well-being of his loved ones. In all the range of human affairs no greater reliance upon and trust in another can be manifested, nor can a more sacred duty or sobering obligation be assumed than exists between the trust company and its patron. The moral situation of the trust company in relation to

many of its patrons is analogous to that of the members of the most learned and confidential professions.

Seeing Tasks Through

THE task assumed yesterday is not always completed today and the business offered today is seldom completely transacted before today becomes tomorrow. Our chief reliance today is that tomorrow a trust company, if not stronger and more experienced, will at least be as conscientious and faithful as it is today and that all the promises made today and all the responsibilities and duties undertaken will on some tomorrow find their full performance, and that the same spirit of integrity and kindness will follow each transaction from its beginning to its end.

To illustrate in a concrete way some of the general statements relative to the work of today and the responsibility of tomorrow, you may find interesting some of the experiences of a small trust company situated in the far West. The experience of this trust company may rightfully be regarded as a cross-section of the morale and business of the companies throughout the country.

Captain First spent forty years in accumulating a competence for his family and, by his will, divided his property among his wife and children, and appointed a trust company executor. After his death his wife was deeply incensed because she was not appointed executrix. The trust company could not heed her protestations because her husband, understanding her nature, provided to his own liking. He knew that she had neither the capacity to administer nor the tact to harmonize serious family disagreements.

An Objector Won Over

AFTER an experience with the trust company of less than three months she voluntarily turned over to the trust company the management of her mother's estate. At the close of the administration she refused to take any part of her property, but instead she left the whole in trust during her own lifetime and that of the survivor of her children. The efforts of the officer having charge of this business and his understanding of the mental traits of the children resulted in a complete adjustment and composure of all the family difficulties and the entire family are now the grateful customers of the trust company, which has proved a faithful friend of its deceased testator.

Mrs. Second appointed the bank executor and trustee. She thought her problems would be simple and that her trustee would find nothing unusual or out of its routine. Hardly had she been laid to rest than a bitter warfare broke out among the members of her family. A spendthrift son, on the one hand, and an acquisitive, selfish son, on the other, supplied the fuel for strife and the interest of her daughter bade fair to be ground into bits by the warring elements. The trust company, as a matter of course, managed her affairs with care and diligence, but in pursuance of what it deemed to be a moral obligation its officers devoted a vast deal of time and thought to the domestic problems which were presented; and after eight years of assiduous attention to these personal factors it was the means of restoring family affection and harmony, and by

virtue of the confidence it inspired it secured the arrangement of the affairs of the daughter and spendthrift son in such manner that the principal of their fortunes will be preserved intact and undiminished so long as they live.

A Trustor's Experience

MR. THIRD had been successful over a long period of years, beginning as an artisan and arriving at the position of a man of large affairs and considerable fortune. Because of an inherited love for drink, and high blood pressure, and a consuming fear that through future wastefulness and poor judgment in old age would be one of penury, he created a living trust. His directions were to frame the trust for the protection of himself, his wife and his children, in a businesslike way, but, over and above that, to give a personal attention to the habits and lives of himself and his children. The children opposed the creation of the trust, feeling that they were competent in respect to their patrimony, where they had proved incompetent in the management of their own affairs.

One of them was an invalid and a visionary, another was lazy and lacking in moral fiber, while the third was a girl, married to a well-meaning but improvident man. By careful management the trustee prior to the death of the trustor largely increased the earnings of the property, and at the same time became the friend and prop of the trustor. The kindness, justice and business acumen of the trust company won the respect and gratitude of all three children, one of whom was placed by the trust company in an environment helpful to his health and furnished a course of reading and study which developed a practical side of his nature, while the second son and the son-in-law were placed in positions suited to their abilities and where they are both doing well. After the death of the trustor his children joined in voluntarily continuing the trust during the lifetime of the survivor of them.

Mr. Fourth left a modest fortune and an inexperienced wife. He made the bank executor but did not create a trust. Immediately after his death, Mrs. Fourth, without the knowledge of the trust company, became a financial wizard and was surrounded by salesmen of beautifully lithographed stock certificates and interests in "sure things." Having only slender funds of her own she financed her purchases by notes and contracts. The matter came to the attention of the trust company when an assignment of her interest in her husband's estate was brought to it for acceptance. Prompt measures were taken, a more intimate acquaintance was made with Mrs. Fourth and her affairs, and she consented to the salvaging operation which was recommended with a result that most of her notes, as well as all of her contracts, were cancelled without loss to her, and instead of losing her inheritance through her ignorance and the cupidity and sharp dealing of men who even resorted to love-making in order to win her confidence and money, she lost only \$18,000, and the remainder of her fortune is safely tucked away in a living trust where promoters and interested friends cannot break through and steal.

After reading a newspaper advertise-
(Continued on page 276)

Needed Relief for National Banks

By THOMAS R. PRESTON

President, National Bank Division

Diminishing Importance of the Federally Chartered Banks Due to States Granting Broader and More Liberal Powers to Their Institutions. President Preston, Strong in His Advocacy of the McFadden Bill, Declares It Will Solve Branch Banking Issue.

WITHIN the past few years a situation has arisen, which threatens the existence of the National Banking System. The national banks, so far as the solvency of the individual institutions are concerned, are probably stronger today than they have ever been, but their diminishing importance is clearly shown by the following facts:

First: The last available reports show that the national banks are relatively declining in resources and influence. Thus in January, 1924, the resources of state banks and trust companies, exclusive of savings banks, were \$24,000,000,000. There are at present 8115 national banks, which is a decline in number from last year, representing total resources of \$22,000,000,000. Twenty years ago the total resources of state banks and trust companies were a little in excess of \$5,000,000,000, and the total resources of national banks at the same time were approximately \$7,000,000,000. Forty years ago the national banks possessed 75 per cent of the banking power of the United States; they now possess 48 per cent. During the year 1923 the resources of state banks and trust companies in the United States increased over \$2,000,000,000, while the national banks, at the same time, increased \$787,000,000. Since January 1918, 174 large national banks have been converted into state institutions, their total resources being more than \$2,000,000,000, or about one-tenth of total resources of all national banks. This included such well known institutions as the Bank of New York, the Bank of North America in Philadelphia—the two oldest banking institutions in America; the First National Bank, Cleveland; the National Bank of Commerce, Kansas City; the Wells Fargo National Bank, San Francisco; the Irving National Bank, New York, and many others, all now operating

under state charters. In the state of California alone in the past six years 47 national banks have been converted to state banks; in New York 24; in Ohio 19; in Pennsylvania 15.

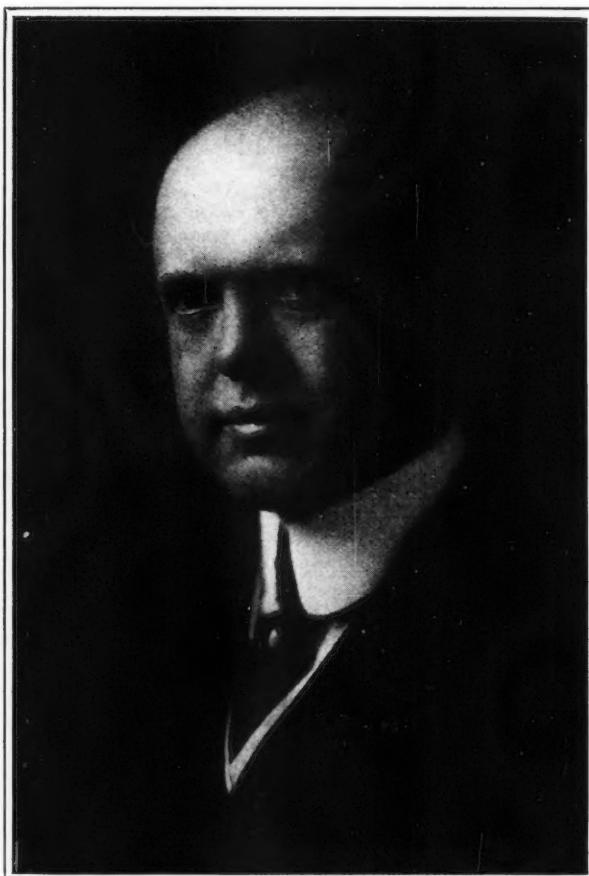
Second: Everyone must admit that the

basis of the Federal Reserve System is the national banks. National banks deriving their charters from the federal government were made compulsory members, and if the present system should be destroyed a voluntary system would take its place, which would be far less effective; would not be tightly bound together as it is today, for the records show that only 1612 state banks and trust companies out of 19,000, most of them eligible, have become members of the Federal Reserve System.

The records further show that of the 1612 state banks and trust companies, members of the Federal Reserve System, 70 per cent in number, and 85 per cent in resources, are located in five states. The average capital and surplus of state banks which are members of the Federal Reserve System is \$785,000. The average capital and surplus of national banks is \$292,000, thus clearly showing that the benefits of the Federal Reserve system are carried to the agricultural and other sections of the country very largely through the national bank members.

There has never been a large national bank which was converted to a state bank which did not re-join the Federal Reserve system, but when a small national bank denationalizes it almost invariably does not re-join the Federal Reserve System. From past records it is not likely that the small state banks will ever join the Federal Reserve System. There are many sound reasons why most of them should not do so. Thus, if the national banking system is weakened the Federal Reserve System will be correspondingly weakened.

Few things would be more unfortunate for the welfare of this country than to have the Federal Reserve membership only voluntary and all members allowed to withdraw at will. It is conceded by every student of finance that in order to maintain the Federal Reserve



EDGAR L. MATTSON

the newly elected President of the National Bank Division of the American Bankers Association, is vice-president of the Midland National Bank of Minneapolis, Minn. He was born abroad in 1871 of American parents. Mr. Mattson was educated in the public schools of Minneapolis and started his business career as a bank messenger in 1888. He has been continuously in the banking business, holding official positions in three Minneapolis banks. He is an officer and director of a number of business corporations. In 1923 he was chairman of a commission sent by Minnesota to the Government of Sweden. He is a former president of the Minnesota Bankers Association. Mr. Mattson makes his home at Wildhurst, Lake Minnetonka, Minn.

System at its best the national banking system must grow and prosper, and if national banks decrease in strength and importance, the Federal Reserve System will eventually meet the same fate. The strength of the Federal Reserve System is now due very largely to its compulsory membership. A reservoir of credit that may give way at any time through the withdrawal of state member banks cannot be that strong and definite protection which this country has a right to expect.

Reasons for Decline

THERE are a number of reasons for the decline of the national banking system, the principal one being the broader and more liberal charter powers granted to state banks than to national banks. Especially is this true as regards the question of branch banking. There is properly strong opposition to branch banking in this country. It is contrary to the spirit of America. The sound objections to branch banking as practised in England, Canada and other foreign countries are many, and I concur fully with the majority sentiment on this subject, but we are confronted by a condition and not a theory.

When the question of branch banking was prominently brought forward in this association about nine years ago there were then in existence only 240 branch banks in the United States. The last available report shows there are now 1714 branch banks, operated by 519 parent banks. So, while we have been discussing this very difficult question, and trying to arrive at a solution, we have inadvertently promoted branch banking.

There is no such practical thing as going back and undoing what has been done, but there is a way to stop branch banking at its present place, and the only practical solution that has been presented so far, in my opinion, has been worked out in what is known as the McFadden bill, which will be up for consideration when Congress re-assembles in December. This measure attempts to grant broader powers to national banks so they can compete fairly with state

chartered institutions. It in no sense attempts to take advantage of state banks, for the bill clearly recognizes that banking is a highly competitive business, but that it is unfair and unreasonable to have in the Federal Reserve System two classes of members, one with and the other without liberal charter powers. The measure modernizes the national banking system in nineteen different ways. About most of the provisions in this proposed measure there is no controversy, and it is probably needless to refer to any except the section on branch banking.

City-wide Branches Only

THE measure effectively gives to the national banks the same privilege as to state banks in those states which now permit branch banking, but confines the privilege within corporate limits. In other words, it is only city-wide. Recent amendments have been suggested which would not allow national banks to engage in branch banking at any time in the future, even within city limits, in those states which do not at the time of the passage of the bill permit state banks to engage in branch banking. In other words, if in the future a state legislature should grant state banks the privilege of having branches, the national banks would not automatically have the same privilege.

This measure has the approval of the secretary of the treasury, the comptroller of the currency, and a majority of the Federal Reserve Board, and a very great majority of the national banks. It also has the endorsement of every banking association that has so far given it consideration. I understand it also meets the unanimous approval of the committee from the American Bankers Association on anti-branch banking.

This measure also prevents the establishment of any additional branches by a state bank beyond the corporate limits, if the state bank is a member of the Federal Reserve System. The bill appears so fair and so reasonable that it appeals to every fair-

minded man who has the financial welfare of his country at heart.

The present comptroller of the currency realizes the serious situation confronting the national banking system and has done some wonderfully effective work in connection with this bill and he deserves, and should have, the active support of every national bank in the United States, for the national banks have never been more wisely led than they are now.

Mr. Preston, describing the agricultural situation as improving but yet far from satisfactory, declared that attempts being made to help the farmer and the wage earner by the same political methods would fail. Reviewing the numerous special legislative acts to help the farmer, he concluded that the farmer had been swindled politically oftener than any other class of people that has ever lived and asserted that he must be largely the architect of his own fortune.

Declaring that the greatest barrier to real prosperity in this country is the item of taxes, Mr. Preston said, "once we kicked against taxation without representation; now we have too much of both." Deploring the "perfect mania" for the Government to attempt to solve all problems, and to attend to all things, Mr. Preston recited that in the past sixteen years there had been proposed more than a million laws in Congress and in the 48 state legislatures.

This situation, he said, "had been brought about largely by the neglect or indifference of the American people themselves."

We should not condemn our public officials. We ought to respect and sympathize with those in public office; they are there either by reason of our choice or by reason of our neglect. Forty years ago 80 per cent of the people voted; now less than 40 per cent vote. The man who neglects his responsibilities as a citizen has no right to complain of prevailing conditions. What the voters ought to do is to lift the yoke from the necks of the American people and let them stand erect once more as law-abiding, self-respecting men and women. Let America be America.

Resolution on Bank Notes

THE Committee on Resolutions, consisting of John G. Lonsdale, chairman; J. R. Carley and Joseph B. Ramsey, presented the following, which was adopted:

"Whereas, over the period of the entire life of the National Banking System the Federal Government has looked to the banks chartered thereunder for aid in its fiscal operations, and has empowered them to issue circulation based upon Government bonds salable largely only by reason of their availability as security for national bank notes, and

"Whereas, circulation has given prestige to the issuing banks, has identified them with the Federal Government and has been one of the inducements to them to accept national charters and compulsory membership in the Federal Reserve System, rather than franchises from the various states, and

"Whereas, the efficacy of a practically unchanging volume of national bank notes as a nucleus for our circulating medium was clearly demonstrated when the elastic Federal Reserve currency, broadened by an unprecedented supply of gold, was expanded almost to its utmost, and the serious consequences which would attend another period of even minor inflation if national bank notes were no longer in circulation, and with the additional handicap of a diminished supply of gold, is fully recognized, and

"Whereas, from the circulation of national bank notes the Federal Government realizes a splendid profit, and through the tax it levies upon them the already low rate of interest on the bonds with which national bank notes are secured is further reduced, and

"Whereas, a wise fiscal policy and a recognition of the nature of the organization

of national banks would seem to decree a continuation of national bank circulation, now, therefore, be it

"Resolved, that the National Bank Division of the American Bankers Association, in annual convention assembled this first day of October, 1924, urges that the available volume of national bank notes be not diminished by the redemption of any of the outstanding bonds unless the circulation privilege be placed upon some other one of the many large issues of Government bonds or the 4 per cent circulation bonds be refunded at perhaps a slightly lower rate of interest, and be it further

"Resolved, that a copy of this resolution be forwarded to the chairmen of the Banking and Currency Committee of both branches of the National Congress and to the Secretary of the Treasury, to the Gov-

error of the Federal Reserve Board and to the Comptroller of the Currency."

The National Bank Division elected the following officers:

President, Edgar L. Mattson, vice-president, Midland National Bank, Minneapolis; vice-president, W. C. Wilkinson, president,

Merchants & Farmers National Bank, Charlotte, N. C.; executive committee, Second Reserve District, C. F. Marfield, vice-president, Seaboard National Bank, New York City; Fifth Reserve District, C. L. Cobb, cashier, Peoples' National Bank, Rock Hill, N. C.; Seventh Reserve District, Charles

L. Sigler, vice-president, First National Bank, South Bend, Ind.; Twelfth Reserve District, Edgar H. Sensenich, president, West Coast National Bank, Portland, Ore.; Fourth Reserve District (vacancy for one year), R. D. Sneath, president, Commercial National Bank, Tiffin, Ohio.

Small Banks Frown on Service Charge

THE advertising and community service value of small checking accounts carried at an actual expense is regarded by the large majority of banks in cities under 7500 population as worth the cost. Opinion is divided in cities ranging from 10,000 to 50,000, but the larger cities are firm in favoring an adequate service charge.

This was shown by the responses of 241 banks made to a questionnaire sent out by Frank Roberts, president of the Calcasieu National Bank of Southwest Louisiana, of Lake Charles, La. The data compiled was presented by Mr. Roberts to the National Bank Division at the Chicago convention.

The questionnaire, sent out to about 100 banks in each of the four sections of the United States and distributed equally among banks located in cities ranging in population of approximately 4500 to 7500, 9000 to 12,600, 20,000 to 30,000 and 50,000 to 150,000, revealed, however, that the banks in the cities of 50,000 population and over do not believe that the unprofitable account should be carried at an expense to the banks.

ONE hundred dollars is considered a profitable average balance for a commercial account by a large majority of 241 banks located in communities ranging in population from 4500 to 150,000, according to figures quoted by Mr. Roberts.

Where the population ranged up to 12,500 Mr. Roberts' inquiry showed that, of 120 banks, 49 consider \$50 a profitable average balance and 57 require \$100. As populations increase the necessary balance for profit-making increases. In cities of 50,000 to 150,000, of 58 banks furnishing information only 11 make any profit on a \$50 average balance, 20 require \$100 and 19 need \$200. Quoting further from his data Mr. Roberts stated that a considerable number of banks reported from 50 to 60 per cent of their commercial accounts unprofitable.

AFTER making the survey, Mr. Roberts came to certain definite conclusions, although he found that not many banks in cities under 50,000 had carefully analyzed their situation to find out what the profitable minimum balance is and the percentage of profitable accounts on their books.

"The rules under which a service charge is made vary all the way from no exceptions to so many exceptions as to make the rules of no value," Mr. Roberts stated. "There is too wide a difference in the charges made in different communities. To be successful, a service charge policy must

be through Clearing House action or community cooperation.

"The policy of accepting accounts without charge or restriction has been a tremendous factor in making our people a nation of bank depositors and, therefore, better citizens, but the kindergarten work has been completed in many communities.

"It will be many years before all banks will be willing to consider a service charge, and local conditions will necessarily influence the action in some communities, but may I suggest that some action be taken by your Association for the benefit of that large number of banks wishing to see a service charge installed?

"If your Association could, through cooperation with the several state associations, outline a uniform plan to be generally followed by those banks desiring to make a service charge, the maximum of success with the minimum of criticism would thus be obtained."

Discussion of "The Advertising Value and Community Return from Small Accounts Carried at an Actual Expense" developed varying opinions. It would be a disastrous policy, said B. G. Huntington, vice-president,

Huntington National Bank, Columbus, Ohio, and president of the Ohio State Bankers Association, to begin to charge for what banks have been advertising they will do for nothing. Experience in cities that have tried the charge system has proved that it makes enemies for the banks.

"The very small account, like the small loan, is an expense which, if properly handled, can be turned into a profitable advertisement and made a benefit to the community."

Forty per cent of the savings accounts, carrying 2 per cent balances in his bank, are losers to the institution, said E. A. Howell, of Canton, Miss., and only 60 per cent of savings accounts carrying 98 per cent of the balances bring the bank a profit.

Solicitation of small accounts by Washington banks that do not have a service charge, said Mr. Addison of Washington, had resulted in jamming the windows of those banks to the point where good business drifts away. In the course of a survey of the question for the Newark clearing house, Spencer S. Marsh of that city stated a New Orleans bank reported that the service charge there had helped the situation.



Three middle western bankers strolling up the Michigan Boulevard in Chicago. They are (left to right) Marcus S. Sonntag, president, American Trust & Savings Bank, Evansville, Ind.; F. J. Pao, vice-president, National Bank of Commerce, St. Louis, and Gwynn F. Patterson, vice-president, Indiana National Bank, Indianapolis

Trust Company Division

Nation-wide Campaign for Relief from Excessive Taxes on Estate Transfers and Successions Launched. Uniform Legislation by Various States and the Government to be Sought. Lucius Teter is Chosen President of the Trust Company Division.

TRUST companies of the United States will make a nation-wide campaign for a revision of the present system of imposing estate transfer and succession taxes. The Executive Committee of the Trust Company Division, in its report to the Division's conference presented the following resolution, which was adopted:

"Whereas, the Federal Government and the separate states in the United States have passed various estate transfer and succession tax laws, which tend in many cases to a duplication of taxes and involve the estates of deceased persons in unnecessary expense and delay and result in grave inequality of taxes, making possible the confiscation of estates, and

"Whereas, it is desirable that the settlement and distribution of estates be accomplished with as little delay and expense as possible, and that all tax laws operate upon all estates with substantial equality; therefore be it

"Resolved, that the present system of imposing estate transfer and succession taxes in the United States, by which the Federal Government and the several states impose separately divers and accumulative taxes resulting in the duplication of such taxes, added expense and an unnecessary delay, bearing unequally upon different states and making possible the practical confiscation of estates, has become well nigh intolerable; and be it further

"Resolved, that the president of this division be and hereby is authorized to appoint a committee composed of a sufficient number of members to work either alone or to cooperate with the committees appointed by other national organizations having committees created for similar purposes, with a view to making a thorough investigation of this entire situation and suggesting a uniform method of such taxation to be adopted by the separate states and by the Federal Government, eliminating all unjust, unfair and confiscatory provisions, said committee to report its findings and recommendations to the executive committee of this Division in order that full cooperation with the legislative machinery of the American Bankers Association shall be maintained."

The adoption of the resolution followed statements by James Dunn, Jr., vice-

president of the Union Trust Company of Cleveland, and Prof. William B. Belknap of the University of Louisville, that through the overlapping of the various Federal and state inheritance tax laws an estate might be taxed, in some instances, as high as 294

there isn't but 100 per cent to make up that 294," Prof. Belknap concluded.

William Rhodes Hervey, vice-president of the Pacific Southwest Trust & Savings Bank of Los Angeles, thought that whatever efforts were made for relief should be made direct to Congress, where the repeal of the Federal estate tax should be sought, leaving such taxation to the state, since he did not believe there was any hope that an abatement of inheritance taxation by the states could be obtained.

H. F. Whitney, trust officer of the Empire Trust Co. of New York, suggested that the members of the Division enlist the aid of their stockholders, directors and depositors in the campaign for relief. He believed that depositors could be prevailed upon to write direct to their representatives in Congress, setting forth the injustice of the present situation.

Advertising Drive to Continue

FOLLOWING addresses by Thomas C. Hennings, vice-president of the Mercantile Trust Company of St. Louis, on "The Greatest Father in the World," and William Rhodes Hervey, on "Today and Tomorrow," both of which appear elsewhere in this issue, the Division heard the report of Leroy A. Mershon, deputy manager. He reviewed the work of the various committees and said that the one on legislation would be extremely busy the coming winter because of the fact that forty-five legislatures would be in session throughout the country, and in many states measures would be offered which would directly affect the business of trust companies.

Mr. Mershon reported that the Executive Committee of the Division had recommended that the work of the Publicity Committee, headed by Francis H. Sisson, vice-president of the Guaranty Trust Company of New York, along the line of national advertising be continued. Mr. Mershon said that it was the sense of the Executive Committee that the Publicity Committee should be authorized to collect the necessary funds for the continuance of the advertising campaign, and that it should invite national and state banks which are interested in corporate fiduciary work to participate.



Lucius Teter, president, Chicago Trust Company, Chicago, the new President of the Trust Company Division

per cent. Mr. Dunn, whose address appears elsewhere in this issue, expressed the belief that a committee on education should be named to take up with members of the state legislatures themselves the tendency to tax estates excessively. Prof. Belknap was of the opinion that the Federal estates tax should be repealed as a whole, and that Congress should be approached along this line. He said that the excessive inheritance taxes in the various states were comparatively new, a majority having been enacted since 1920, and he declared that the present movement appeared to be for "ransom," whereas the older laws were for small, low rates and big exemptions.

"When you get 294 per cent, such as is being taken, you are going to have a fight to see who gets the 100 per cent, because

Mr. Sisson said that because of a lack of response on the part of members of the Division the Publicity Committee had reported to the Executive Committee that the campaign be abandoned, but that if the Executive Committee and the members wished the work to go on the Publicity Committee would make an effort to raise the necessary funds. Mr. Sisson declared that the need for the campaign was great, adding:

"There is a constantly growing opposition to the concentration of capital in large trusts and in the hands of a few. You who study current affairs know that all over Europe this rise of socialistic feeling has menaced private ownership of property and capitalistic interests of all sorts. It is invading our shores, and we have had it frankly voiced to us by leading politicians and lawyers in important states that they intended to do everything within their power to break up the concentration of money in the hands of great trustees, corporate or otherwise—particularly corporate—and that they would direct their activities in such legislation as they could bring to pass to that end.

"If that be true (and, personally, I believe it to be true because I believe it to be the real outstanding issue in American political life) anything that we can do defensively and educationally to advise and inform the American people on the value of corporate service, it seems to me, would be money mightily well expended and would be useful employment of capital in the defense of capital."

The recommendation of the Executive Committee was adopted, and Mr. Sisson and his associates were instructed to proceed as

they might think best to carry on the work of publicity.

Mr. Mershon reported that the bulletin service would be enlarged somewhat during the coming year, and in addition to sending communications direct from the New York office to trust company prospects, the radio would be used to present material in various sections of the country.

Mr. Mershon announced that the sixth mid-winter conference would be held in New York in February. He also announced that the second regional conference for the Pacific Coast and Rocky Mountain states was scheduled for October 7 and 8 at Salt Lake City. The regional conferences, he added, had attracted wide interest among those members who were unable to attend the mid-winter gatherings.

Speaking of the Federal Reserve system, Mr. Mershon said that it was "the greatest piece of financial machinery ever inaugurated in any country, and under the auspices of this (the Division's Federal Reserve) committee it is hoped that the eligible non-member trust companies in the United States will be induced to lend their support and membership to this system."

Frank W. Blair, president of the Union Trust Company of Detroit, introduced Mr. Berry of the same institution, who told of the company's success in creating public interest in investments through a scholarship contest, conducted with the aid of boards of education, and which resulted in the award of three \$1,000 scholarships in Middle Western universities and colleges. Essays on "The Selection of Investments" were submitted by a large number of students and wide interest was aroused.

J. W. PLATTEN, president of the United States Mortgage and Trust Company of New York, reported that the resources of trust companies, compiled by his organization as of June 30, 1924, showed an increase of more than one billion dollars. The same company last year reported that these resources were \$14,441,000,000.

Evans Woollen, the retiring president of the Trust Company Division, thanked the members for their consideration and paid a tribute and an appreciation to the work of Deputy Manager Mershon. He then asked for the report of the Nominating Committee, which was as follows:

President, Lucius Teter, president of the Chicago Trust Co.; vice-president, Francis H. Sisson, vice-president of the Guaranty Trust Co., New York; members of the Executive Committee, William Rhodes Hervey, vice-president of the Pacific-Southwest Trust and Savings Bank, Los Angeles; Elliott C. McDougal, president of the Marine Trust Co., Buffalo, N. Y.; Walter P. Gardner, vice-president of the New Jersey Title Guaranty and Trust Co., Jersey City, N. J.; H. L. Standeven, vice-president of the Exchange Trust Co., Tulsa, Okla., and Fred W. Ellsworth, vice-president of the Hibernia Bank and Trust Co., New Orleans. Chairman Executive Committee, Edward J. Fox, president Easton Trust Co., Easton, Pa.

The report was adopted and the newly-elected president, Mr. Teter, after an expression of appreciation of the honor bestowed upon him, spoke briefly on his recent tour of Europe, saying that he felt the world was "upon the right road," but that "we must be very patient."

Price of the Journal

WITH this issue of the AMERICAN BANKERS ASSOCIATION JOURNAL, the subscription price has been changed from \$2 to \$3 per year.

The \$2 subscription was fixed seven years ago when all elements of cost entering into the publication of a magazine were at a lower level. With the mounting expense of printing, the enlarged outlay necessary to obtain superior editorial matter and the rise in virtually all incidental expenses—coupled with the plans of the next year to present an even better magazine—the only alternative is to increase the subscription price.

Consideration of the subscription rate of the JOURNAL with that of other comparable publications will show that our rate has been abnormally low and, in the case of the rate for members of the American Institute of Banking, this price has necessitated what in effect has been a monetary contribution to Institute members.

For several years the JOURNAL has been sold to members of the American Institute of Banking at a special rate of \$1 per year, as a part of the general plan of the association to promote education among bank employees, and for the reasons above given this special rate has been changed to the more equitable one of \$2 per year—\$1 less than the regular rate.

Bank Auditors in Session

THE first National Bank auditors' conference was held on Oct. 1, in the Auditorium Theater at Chicago. It was presided over by R. H. Brunkhorst, president of the Chicago Bank Auditors Conference, and proved to be highly successful. Excellent papers were read by Mr. Brunkhorst; F. W. Heathcote, auditor of the Pacific-Southwest Trust & Savings Bank, Los Angeles; R. H. Fulton, auditor of the Merchants National Bank, Los Angeles, and C. R. Smelser, auditor of the First Trust and Savings Bank, Akron, Ohio. Representatives from a number of cities where such conferences have recently been organized told of the results obtained to date and of the interest shown by the members in their respective cities.

It was thought best to delay the matter of a National organization at least another year until additional conferences were organized in the larger clearing house cities. In recognition of Mr. Brunkhorst's successful work to make the first national conference a success, he was unanimously chosen chairman. Mr. Fulton, president of the California Bank Auditors Conference, was elected vice-chairman, and the names of the members of the committee to serve with them are to be announced later. This committee will be known as the Committee

on Bank Auditors Conferences, and will be under the supervision of the Clearing House Section of the American Bankers Association.

Membership Dues

A CERTIFICATE - DRAFT covering membership dues was forwarded to all members under date of Sept. 1, 1924, together with an insert for the membership sign. On the reverse side of the certificate-draft a schedule of dues was printed, but if the certificate has been misplaced, members are referred to the schedule of dues on page 93 of the August, 1924, issue of the JOURNAL. A remittance based on such schedule may be forwarded.

More than 70 per cent of all banking institutions are members of the American Bankers Association, and it is very gratifying to report that most of our members have paid dues for the current fiscal year.

Members who have not should send a remittance in New York funds direct to the American Exchange National Bank, New York, making checks payable to the order of that institution. The by-laws provide that membership dues are payable in advance as of Sept. 1, and to avoid unnecessary correspondence and delay members are requested to remit promptly. Such cooperation will be appreciated.

The Greatest Father in the World

By THOMAS C. HENNINGS
Vice-President, Mercantile Trust Co., St. Louis

The Greatest Exploit in Equity is the Invention and the Development of the Trust. Capable Trust Company Administration Renders Distinct Service to Society, the Individual and to Business. How the Living Trust Provides for Future Protection.

THERE was little occasion when America was first settled for the creation of trusts. Personal property had not been accumulated, habits of life were simple and industrious and there was little occasion for family or other settlements, that rendered a trust either convenient or necessary. Considering the peculiar condition of America it is not surprising that it was long before the system received any countenance here.

The growth and development of the law relating to trusts had been slow and gradual and has sometimes fallen into inconsistencies and absurdities, but the application of upright and wise judges has finally given a regular and simple form to the administration of trusts.

The legislatures of our States now recognize trusts, and provisions and rules are made for their creation, regulation and duration, and in some states for their administration, but in others the administration is still left to the exclusive cognizance and jurisdiction of Courts of Equity—and of all the exploits of equity the largest and most important is the invention and development of the trust.

The Evolution

THE unsatisfactory experience with the individual trustee, his limitations, the possibility of his death, absence or incapacity, bad management or worse, developed a need for a better fiduciary, one which had all of the virtues of the individual with the added financial strength and efficiency and which could shape the growth of trust service to meet trust needs. These factors evolved the present day trust company, from the trail blazers organized in the early part of the twentieth century.

The example set by the early trust companies, the record of service well done, the high ideals established, coupled with the self evident community benefit in building family relationship between trust companies and their beneficiaries has been followed by the acceptance of the corporate trust idea in all the civilized countries of the world. This service is so far superior to the individual trustee that it is gradually gaining the approval of all thinking people, taken together with the fact that the courts now generally recognize that corporations have a mind, a will and a personal idea of wrong, that they are capable, as individuals are capable, of developing their personality and character.

In the human race the idea of progress is conceived in the general law of history

and the future of humanity. The progress of any race depends upon its capacity to cooperate. In the dawn of history the tribal or communal idea prevailed, to evolve into the individualistic, which is gradually changing in many activities, involving the business and social fabric, into the cooperative.

In Terms of Welfare

THE future welfare, social and economic, of the peoples of this or any other country depends upon their ability to think in terms of the community as a whole, to cooperate for the amelioration of social conditions, lessen the friction in the struggle for existence, and be of service to our fellowmen.

Trust companies today, in many ways, are large public welfare institutions. The larger companies have established in the minds of the public a personality as definite and outstanding as any individual; the personality developed by the great trust companies of the country is the lengthened shadow of some one big man.

In any forward movement, whether financial or social, in the United States, in the separate states or the cities, will be found, either as doers, advocates or writers, men prominent in trust company management. One recent example may be cited: The entire delegation of American citizens known as the Dawes Commission, which has done so much to untangle the complex political and financial condition of Europe, consisted of men who are at the head of or identified with trust company management.

The great trust companies have taken an active part in the development of this country, built railroads, financed public service utilities, placed bonds the proceeds of which were used to carry on great public works, to build roads, construct levees, school buildings and many other governmental instrumentalities, which has made life easier, more prosperous and happier for our people.

Service to Society

HIGH sounding phrases are not alone sufficient to claim merit for the confidence reposed in trust companies by the public, but it is necessary to demonstrate that capable trust administration renders a distinct service to society, the individual and to business. How have we met that need outside of the general routine service rendered in the administration of property placed in our charge?

Are we, as is sometimes alleged, disinterested, soulless organizations, concerned only in the compensation for expert service rendered, or have we a soul? Are we interested in creating a right understanding among all classes of the facts regarding property, its creation, its distribution and its conservation? Do we recognize that the faithful, sympathetic performance of all fiduciary agencies lies at the heart of the nation's economic and social welfare? Have we kept the faith placed in us by those who are not now able to observe our acts?

We have, by constant reiteration of the necessity of making a will, impressed upon the public mind that the right originally denied to them and fought for by our ancestors has now become a duty of every right thinking person who has property. We are impressing upon men that, as the head of the family, he has definitely assumed the responsibility for the support of his dependents, that they have a right to look to him for adequate maintenance, both during life and thereafter, that he must not only carry life insurance but that there must be certainty that the funds must not be paid in a lump sum, but so paid that the fund will be carefully invested and distributed after death that this burden should not be thrown upon a wife, inexperienced in business, who may receive the insurance check and a fake stock prospectus in the same mail, who may be lured by attractive promise of large income return from investments suggested by the so-called family friend.

What Real Protection Is

OUR consistent advocacy of the idea of protection of those entitled to consideration, either by reason of family relationship or as a member of the human family, has resulted in those outstanding developments of the trust company service, the living trust, the insurance trust and the community trust.

The living trust affords the opportunity to timely create a separate estate for the business or professional man which will withstand business reverses, provide an income for the wife, relative, for the education of the children and the maintenance of the home, or for charity. It gives the creator an opportunity to see his will in operation during his life and safeguards the estate, by provision for carrying out direct instructions after death. There is no interruption of income to the beneficiary, and

not being a part of the inheritance estate is not subject to expenses and delays incident to the settlement of estates.

The insurance trust developed through the cooperation of the insurance companies is a long step toward safeguarding the proceeds of insurance policies in the hands of women and children who have been the prey of promoters of visionary schemes. The funded trust safeguards the payment of insurance premiums during life and an estate for distribution after death. If the insurance trust can prevent the dissipation of the millions of dollars in the hands of beneficiaries, save them from extravagance and improvidence, much will be accomplished to establish more firmly the confidence reposed in trust companies as the conservators of property and the protector of the family.

The Community Trust

ANOTHER factor in the conservation of wealth and developer of the community social fabric is the principle of the Community Trust first conceived by Judge Frederick H. Coff, of Cleveland, who we all know as a lawyer, banker and loved as a man, philanthropist and idealist. Experience has shown that gifts for charity frequently result in losses, mistakes and difficulties, and a complete failure of the charitable gift in accordance with the giver's wishes and the needs of the beneficiaries of the trusts.

Through the medium of the trust company the thoughts of men of wealth have been guided toward the charitable needs of the present and the consideration of preventive measures for the welfare of future generations. The trust company with a well developed sense of public responsibility has created in the minds of its clients a sense of community cooperation, of sympathy with common needs, and the necessity of curbing anti-social ideas which tend to weaken the foundation of our government. We know that, while the giver may have a definite object in mind, if that should fail he must be convinced of the fact that one kind of charity may embalm his memory as well as another, that many causes may change, and that the enlargement of a particular purpose does no harm. We know that no reasonable man who has made a gift would desire that his mode of benefiting the community should be adhered to when a better one could be found. People are becoming awakened to the fact that the great trust companies are public welfare agencies, that expert minds are giving concentrated thought to community needs, that cooperation of the large and small giver means a large service to the community with a confidence that the funds contributed for charitable and philanthropic purposes will not be distributed in a haphazard way, but with wisdom and foresight, applied to conditions as they exist at the time of expenditure.

Betterment of Humanity

THE forty-four community trusts operating today show a remarkable record of accomplishment for the advancement of mankind and the betterment of

humanity. Their activities cover a wide field, as diversified and inclusive as any contributor could wish. These included surveys and studies of charities, education, recreation and crime. In Cleveland, more than a million and a quarter dollars has been devoted to actual community and welfare work. In Buffalo, studies were made of public health and child caring agencies. In Chicago was conducted an Americanization survey of housing and prenatal care, and a study of the physically handicapped ex-service men. In Rhode Island, charitable agencies were surveyed and in St. Louis the Children's Code Commission was financed. In Boston \$215,000 was distributed last year to 103 charitable, social and welfare organizations.

The work has not been limited to helping established organizations in the various communities; new lines of endeavor have been developed and charity has been modernized and made financially effective. As a corollary and supplemental to this cooperative effort, is the community fund or chest plan, through a cooperative campaign of raising money for operating expenses of charitable and welfare agencies. This has been the natural outgrowth of the community trust idea.

All truths become platitudes. Here repetition makes many self evident facts seem trite, but a restatement of the qualifications necessary for the development of a trust executive (for which I claim no originality) gives us an opportunity to re-examine our minds for the purpose of ascertaining whether or not we have lived up to the high ideals of trust administration.

The Way of Approach

AS the trust executive deals with the settlement of estates, the management of property, the administration of trusts and the investment of funds, his reputation in the community must be high for integrity, honesty and good faith. His policy, decisions and practice must be sound. As his advice must often supply the place of a husband or father, he must not only do no evil, but must avoid the appearance of evil. His relationship with his beneficiaries is almost the relationship of a confessional. He must be able to approach the problems presented, whether legal or otherwise, with a clear conception of the law, with firmness, a broad sympathy and an understanding of human nature, to merit the confidence of the public, so that his advice on financial matters, in regard to domestic affairs, holds back those who are given to indulgence and extravagance. To advise in regard to the education of the young and guard the middle aged from improvident investments requires that he must be an administrator not only with high qualities of mind and intellect and executive ability, but must have high ideals and sound ethics. This is the ideal trust official, but no one single individual can hope to more than approximate the ideal; and no trust executive can function without a strong supporting organization, including a trust committee composed of men experienced in business, of sound integrity and broad sympathies.

Many of the states by their children's guardian and mothers' pension laws aim to keep the family together after the death of the father. The great family relief charitable organizations have changed their policies of giving material relief to individuals, to that of building up the family as a unit. Children are no longer placed in orphanages, but in families where they have an opportunity to develop normal lives. This, to a large extent, is the service performed by the trust company.

Upon the death of the father the trust company steps in as counsellor and friend of the widow and children. The trust executive is conferred with in regard to the schooling of the children, the future business activities of the boys, the mother's investments, the application of the income according to the changed conditions; in fact almost every problem concerning the family's welfare is submitted for decision to the organization to whose shoulders has been shifted the responsibility of parent and provider.

The trust company which realizes its duty to maintain the home as the foundation and mainstay of our civilization, which guides the inexperienced and impresses the sense of responsibility upon those who must bear it, which undertakes through cooperative effort to study community welfare and charitable needs, that has a broad conception of adapting trust funds to the possible needs of generations unborn, is the instrumentality which weaves all of these into a composite whole for the welfare of humanity. That trust company which assumes to do these things has accepted a burden which is also a responsibility, second only to the church, and may with propriety be called: "The Greatest Father in the World."

Non-Cash Items

Action was taken by the American Bankers Association at the 50th annual convention to urge the Federal Reserve Board to discontinue the service of collecting non-cash items.

The Federal Reserve Board appointed a committee, consisting of several governors of the regional banks, to consider the matter from the System's viewpoint. The members filed a report last May but the Board asked for additional information. The Committee on Governors were to make an analysis of the non-cash item collection service but it is understood that so far no additional information has been secured. The sub-committee appointed by the Executive Committee at the Augusta meeting, headed by J. W. Barton, has conferred with the Reserve Board committee and has received assurances from the members of the Federal Reserve Board that they will have a hearing at the November meeting.

The proceedings of the Department Conferences held at the Baltimore convention of the American Institute of Banking in July have been printed in a 768 page book by the Institute. Copies may be obtained from the New York headquarters at a price of 50 cents each. The book contains the full proceedings in all of the nine departmental conferences and a complete set of all addresses and papers presented at the convention.

The Onward Surge of Thrift

By CHARLES H. DEPPE

Vice-President, Union Trust Company, Cincinnati, Ohio

Savings Deposits for 1923 Show Gain of One Billion Dollars Over Previous Year. Unexpected Increase in School Savings Sends Total Up to \$14,991,535. Treasury Withdraws Savings Certificates From Sale, Thus Removing a War-time Expedient.

THE work of the Savings Bank Division of the American Bankers Association has been enriched this year by an innovation—that of holding regional conferences at strategically located cities where all members of the American Bankers Association interested in savings business might gain through round table discussion clearer insight into new developments and approved practices in banking business affecting savings.

The thought motivating this activity was that of bringing members into a closer working relationship with the division, of leading them to realize the advantages of membership and to know the services and assistance it offers. No better evidence of the success of the movement is needed than that furnished by the splendid attendance and the interest created at the conferences held during the past year at Los Angeles, New Orleans, Chicago and New York. That the regional conferences are a vitalizing influence is not to be doubted.

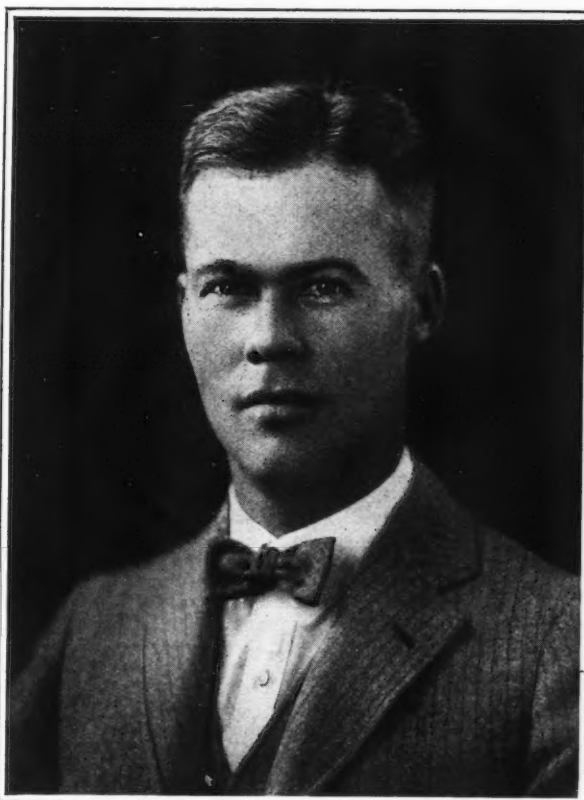
Federal Legislation

DURING the last session of Congress a bill was introduced to enlarge the scope of the postal savings system.

A committee from this division and General Counsel Paton, representing the American Bankers Association, appeared before a sub-committee of the House Committee on the Post Office and Post Roads, to show the real relationship existing between the postal savings system and savings banks. This committee reiterated the objections of our Association to an enlargement of the postal savings privileges as covered by a resolution previously passed by the Association. Such opportunities to present the views of the Association are appreciated by bankers, and assist in gauging more accurately a sound national viewpoint on important financial problems as they arise. No action on the bill was taken up to the time Congress adjourned.

Your division also advocated the withdrawal from sale of the Treasury Savings Certificates. The Treasury Department, as

a result of the continued cheapness of money rates, finally withdrew the certificates from sale in all states. This action of the Treasury officials is commendable



Alvin P. Howard, vice-president, Hibernia Bank & Trust Company, New Orleans, elected President of the Savings Bank Division

for it removes a war-time expedient and restores pre-war conditions in the savings field.

Some unforeseen difficulties in the distribution of the advertising service, inaugurated a year ago, led to its discontinuance at the close of the sale of the first series. The service was highly meritorious and the advertising content of the highest order. Not a single criticism has reached the division on the quality or arrangement of the material.

Increase in Savings

THE statistical work of the division shows the healthy growth throughout the country, of school savings as well as of savings generally. During the year, compilations of savings and savings accounts for the years 1913 to 1920 inclusive have been made. In consequence, for 1922 and each succeeding year comparisons will be available for at least a ten year period.

A compilation of the number of savings accounts, the amount of savings deposits, the amount of total individual deposits, the percentage of savings to total individual deposits, and the per capita savings in the United States will prove interesting to bankers and publicists generally. These compilations cover one of the most interesting periods in our history—that of the World War.

The growth in the number of banks receiving savings deposits during the last decade indicates, in some measure, the appreciation on the part of bankers of the value of savings business. The number of banks reporting savings deposits in 1913 was 5838, while in 1923 there were 21,385, an increase of 266 per cent.

An examination of the growth of the savings deposits over this same period reveals the fact that the reported total savings deposited in the banks of the United States as of June 30, 1923, \$18,373,062,000, almost equals the total individual deposits in all banks, June 30, 1913. The population of the United States has increased 14 per cent, individual

bank deposits 88 per cent, savings deposits 108 per cent and the number of banks reported as receiving savings deposits 266 per cent.

School Savings Gain

THE fifth annual report on School Savings Banking reveals an increase altogether unexpected. During the year closing June 30, 1924, the number of reporting school savings systems has increased from 494 to 683, which embraces 742 districts;

SAVINGS DEPOSITS IN UNITED STATES

Year	No. Savings Accounts	Amount Savings Deposits (In Thousands)	Amount Total Deposits (In Thousands)	% Savings to Total Deposits	Per Capita Savings
1912	12,584,316	\$8,425,275	\$16,727,733	50	\$89
1913	14,295,931	8,820,192	18,597,187	46	91
1914	*11,385,734	8,728,536	18,914,339	46	89
1915	*16,084,587	8,791,523	18,644,000	47	88
1916	**10,374,770	9,478,068	21,990,868	43	94
1917	**10,631,586	11,115,790	22,744,005	48	108
1918	**10,637,750	11,589,373	24,450,173	47	111
1919	18,176,251	12,456,460	28,468,144	43	118
1920	20,915,612	14,672,178	32,647,256	45	137
1921	26,637,831	16,618,595	35,300,933	48	154
1922	30,323,320	17,331,479	36,486,297	47	158
1923	36,299,701	18,373,062	34,993,325	52	166

*Number savings accounts in national banks not included.

**Number savings accounts in national and state banks not included.

the number of schools from 6868 to 9080; the number of pupils enrolled in schools having systems from 3,061,053 to 3,095,012; the participants from 1,907,851 to 2,236,326; the collections from \$10,631,838.69 to \$14,991,535.40; and the reported bank balances from \$11,807,085.59 to \$20,435,144.64.

The real test of the persistence and vitality of the thrift idea as developed in school savings systems is manifested in two ways; the first in the growth of the honor roll, which during the past year has grown from less than 30 per cent of the entire number of systems to above 33 per cent; second in the growth and increased efficiency of the systems established prior to this year. Comparisons based on the reports of a group of about 400 districts from which data were available both as of June 30, 1923, and June 30, 1924, show that although the pupil enrollment in these districts increased but 4 per cent, the pupil participation increased 8 per cent, the collections 23 per cent and the total bank balances increased 44 per cent.

A tabulation of school savings activities was begun by this division in 1919 and since that time has been made twice annually. The amount of work now necessary to complete the semi-annual report is so great that annual reports only will be made in the future. The book "School Savings Banking" prepared by a special committee of the Savings Bank Division, on school savings banking methods, and published last year by this division, has had a circulation of over fifteen hundred copies. The principles laid down in this volume are coming to be

generally accepted by educators and banks. Already two cities in the United States have accumulated above one million dollars each in school savings balances and several others report in excess of one-half million dollars.

Industrial Savings

NO attempt has been made during the year to assemble statistics covering

great an expense, the division will endeavor to secure this valuable information. Following the publication early in the year of the booklet "Industrial Savings Banking" describing the payroll savings method, the Savings Bank Division has conducted much correspondence in encouraging a trial of the payroll savings method.

An impression seems to exist among many bankers that this method is too expensive in operation to come into general use. How-

Savings Deposits (In thousands of dollars)			
	1913	1923	Increase
Mutual Savings Banks.....	\$3,811,713	\$6,273,151	64%
State Banks and Trust Co.'s.....	3,572,369	8,536,766	139%
National Banks.....	1,436,110	3,563,145	148%
Total	\$8,820,192	\$18,373,062	108%

the development of the payroll savings method. Savings statistics are compiled from the reports of the banking departments of the several states and from that of the Comptroller of the Currency. School savings statistics are secured from the superintendents of schools in the various districts and from the banks acting as school savings depositories.

Authoritative statistics on the amount of savings from payroll deduction could be obtained only by correspondence with all the banks taking these deposits. As soon as a plan can be developed by which the statements of deposits made under this method can be secured promptly and without too

ever, the banks in New England and on the Pacific Coast which have done most in developing it claim the cost is not excessive and that, under this system, the number of employees having savings accounts can be more than doubled.

Thrift, as represented in School Savings, Industrial Savings and Home Budgets, continues to increase in interest with the passing months. The National Education Association, recognizing the need for the teaching of thrift in the public schools of the country, has authorized its Committee on Course of Study to make appropriate recommendations for including this subject in the school curricula.



Savings Banks and Safety

Requirement of Tornado Insurance by Borrowers a Live Question in Certain Sections. Weaknesses of Mortgage Bonds Issued by Some of the Newer Companies Indicated. Presentation of the Thrift Film "Dollar Down" a Striking Innovation.

AN innovation in the form of the presentation of a thrift film marked the annual meeting of the Savings Bank Division. The showing of the film followed the regular program of addresses, discussions, election and installation of officers.

President Deppe announced the personnel of the Committees on Nominations and Resolutions, the members of the first named being: Rome C. Stephenson, chairman, John S. Broeksmit, Victor A. Lersner and S. Fred Strong. The members of the Committee on Resolutions were: A. P. Howard, chairman, John W. B. Brand, Edward B. Coll, Thomas F. Wallace, W. A. Sadd and Samuel H. Beach.

Following the annual address of the President and the appointment of committees, Frank J. Parsons, vice-president, United States Mortgage and Trust Company, New York, delivered an address on "The Banker's Place in the Real Estate Mortgage Field." This address will be found elsewhere in this issue.

Discussion of Mr. Parsons' paper included tornado and other insurance, the amortization of bonds and the protection of investors against some losses of mortgage bonds which are being offered to the public. It developed that tornado insurance is a live question with savings bankers in certain sections and that blanket policies giving coverage on various causes of property damage or destruction seem desirable and afford a good field for insurance companies issuing such policies.

Cyclone Insurance Required

MOST of the companies lending money in Ohio, Mr. Deppe said, are insisting on some cyclone insurance in varying amounts, some going so far as to require an amount equal to the value of the land. Mr. Parsons said that the Treasury Department at Washington had collected some very valuable statistics on these meteorological disturbances upon which it would be quite easy to map out a course for any given locality. It was suggested that it would be desirable for the bank to take into consideration the total amount of its mortgages and arrange with an insurance company for carrying tornado insurance under a blanket policy that would cover all of its mortgages, then adding to the cost of the service in making a mortgage which would be a proportionate charge for a particular loan.

J. W. B. Brand of Springfield, Mass., described a form of blanket tornado policy, the objection to which was that a clause in it gave coverage on what loss might be sustained in excess of the appraised value of the loan at the time the mortgage was made. As some of the loans made by his bank have run for fifty, sixty and seventy years

and are still on the property, the question of the appraised value at the time the loan was made entered into the question as a very serious factor. It was suggested that if some insurance company could be organized to take care of all forms of possible destruction of property, whether fire, lightning, tornado, explosion, or other cause, it would find a very profitable field.

"Safety demands that those who are engaged in making mortgage loans require windstorm insurance," said Mr. Stephenson, and this insurance was required by the Prudential, the Metropolitan and the Equitable Life Assurance Society in the mortgage loans they are taking throughout the country. The objection of the average man to paying for cyclone insurance could be overcome, he thought, if some pictures of the havoc wrought by storms in several localities were shown him.

Not Under Banking Laws

THE discussion of the bonds issued by the newer class of mortgage companies developed a sentiment that some action should be taken by savings bankers to combat them for the protection of the investing public, but President Deppe suggested that the proper procedure against companies whose methods or bonds are questionable would be to lay the facts before the better business bureaus for action. It was made clear that the old line title companies and bond and mortgage companies that issue certificates against mortgages impounded with trust companies were not in question.

The new companies, it was stated, in many cases are not under the banking laws, make no reports, and sell their bonds without guarantee, some of their loans being 80, 90 and 100 per cent against which the bonds are issued. The difficulty in warning against these bonds is that it is impossible in warnings to distinguish the good from the bad by naming the latter specifically, and the best that may be done is to advise the depositor to consult his banker before purchasing such securities.

Replying to questions, Mr. Parsons stated that, while the rental basis was not entirely satisfactory as a basis for appraisal in arriving at construction costs, being regarded as merely a check, there are many tests of value, among which the test of sales is an excellent one. A record of sales running back thirty or forty years is a very good history of values. While the return from a property is an excellent test, it must be taken over a period of years, taking into consideration periods of depression and inflation.

The serious error in the bond issues that are being offered today, Mr. Parsons said, is that the houses offering them not only have not had long experience, but that to

take the rents obtaining today at the peak of a high cost situation and capitalize at a reasonable figure and call it "value" is making for trouble. Another phase of building loans he criticized is the placing of an issue running into millions upon a building to be erected and selling the bonds in advance of any construction work whatsoever. The holder of such security, he said, has nothing but a mortgage on a piece of land and the faith and credit of the issuing company and if the house issuing the bonds failed during that period the bond holders would be holding securities on a building where the old structure had not even been torn down.

Mr. Howard, Chairman of the Committee on Resolutions, reported the two following resolutions:

"We believe that the reported increase of over two billion dollars in savings in the banks of the United States during the past year is a source of gratification to the economic and societal observers, and we therefore make note of the fact as an indication of the growing confidence in our institutions and their permanence on the part of the American people. The thrift of a people depends upon assurance in the future, a proper knowledge of what improvidence means, a human desire to quicken the activities of each individual and of the whole, for a nation without thrift will perish. Efforts should be so directed as to facilitate the opportunity to save and thus to stimulate the progress of our country."

"Much of the credit of the success obtained in school savings, which have practically doubled during the past year, is due to the whole-hearted cooperation of our educators and we therefore by this resolution, call attention to the important part which they have in this great work."

Both resolutions were adopted as read.

Election of Officers

THE Committee on Nominations named the following: For president, Alvin P. Howard, vice-president, Hibernia Bank & Trust Company, New Orleans, La.; for vice-president, Thomas F. Wallace, treasurer, Farmers & Mechanics Savings Bank, Minneapolis, Minn.; for Executive Committee, three-year term, Kent M. Andrew, cashier, La Porte Savings Bank, La Porte, Ind.; Taylor R. Durham, vice-president, Chattanooga Savings Bank, Chattanooga, Tenn., and George L. Woodward, treasurer, South Norwalk Savings Bank, South Norwalk, Conn.; for one-year term, Ray Nyemaster, vice-president, American Commercial & Savings Bank, Davenport, Iowa. The committee's selections were elected by the Secretary casting the ballot of the convention.

The newly elected officers were then installed, Mr. Deppe reserving to himself the

honor of installing his successor last. Following this ceremony, Miss Ruth Roland of Los Angeles, star of the motion picture "Dollar Down," was introduced. Miss Roland told how she became interested in presenting a film on thrift, the inspiration proceeding primarily from her interest in children and directly from her observation of the system of savings in the schools of Los Angeles.

The earnestness of the school children in the practice of thrift gave her the idea of making a picture that would combine entertainment with the lesson of thrift and which would convey its message not only to the children but to adults as well. She described the pageantry with which the children's thrift movement is conducted in Los Angeles and said the extent of the movement is evidenced by the fact that 50,000 school children under the age of thirteen have savings in the school banks of Los Angeles, and they have saved more than \$550,000 in less than two years in this way.

BEFORE the showing of the picture Miss Roland addressed the audience as follows:

"I believe thrift should be a household word in every American home. I believe that parents while rearing their children should give special attention to thrift. Unfortunately far too many parents neglect their duty in this regard—perhaps they do not appreciate the great importance of it.

"We are all interested in making America a thrifty nation. Happiness and thrift go hand in hand. Extravagance and waste lead to discontent and misery. It is the thrifty home that is the happy home.

"But some one says, 'Teaching our American boys and girls to be thrifty is a personal matter for the parents in each respective home to settle for themselves.' But what if they neglect it; should it end there and millions of children grow up to manhood and womanhood, spendthrifts? How about education? Many parents leave the education of their children entirely up to the teacher in



Billy Lord,
the little film actor, who appeared before the bankers

the schoolroom. The same is true in thrift. Let our schools teach thrift; it is important that they do.

"Because many parents are indifferent to this great need, those of us who can help are called upon to shoulder the burden which neglectful parents should bear.

"If the rising generation is not taught to be thrifty, our nation is in danger, for national extravagance leads to ruin.

"Doubtless you have observed that the thrifty citizen is not a complaining, dissatisfied, discontented citizen. Let a business depression come along and the first person to complain is the person who has not saved, and not the person who is thrifty. Therefore, I say, thrift should be instilled in the life of every boy and girl in order that we continue to be a happy nation.

"If parents neglect to train their children to save, then I believe it is the patriotic duty of our banks and our schools to furnish the

proper training, and this can best be accomplished through school savings.

"Think of it! Over 50,000 school children in Los Angeles under the age of thirteen years have savings accounts today as a result of school savings. These children have saved and have to their credit in savings accounts over \$550,000. This represents only two years' work in the elementary schools of one city.

"Cultivate the friendship of the boys and girls. Make them feel that they are welcome at your bank. Encourage them to open savings accounts regardless of how small an amount they have to deposit. Urge them to save systematically and to come to your bank at frequent intervals. When they come, receive them with a smile, give them every consideration, and send them on their way feeling that your bank is their friend. Help them to save."

Miss Roland introduced little Billy Lord, one of the actors in the film, as a shining example of a 100 per cent saver in the Los Angeles schools. At Mr. Deppe's request the Secretary read telegrams received from the president of the Los Angeles Board of Education, the superintendent of schools in Los Angeles and the officers of the Long Beach Banks School Savings Association, each of which told of the success of the thrift movement in the schools of their cities and urged the continued support of bankers for the plan. The film "Dollar Down" was then shown, after which Mr. Deppe surrendered the gavel to the incoming President, Mr. Howard.

Mr. Howard announced the following chairmen of committees: Savings, John S. Broeksmit, vice-president, Harris Trust and Savings Bank, Chicago; Federal Legislation, Edward B. Coll, president, Farmers Deposit Savings Bank, Pittsburgh; State Legislation, Thomas F. Wallace, treasurer, Farmers & Mechanics Savings Bank, Minneapolis; Investments, John H. Dexter, president, Society for Savings, Cleveland; Real Estate Mortgages, Charles J. Obermayer, president, Greater New York Savings Bank, Brooklyn.

Business and Education

By RALPH E. HEILMAN

Dean, School of Commerce, Northwestern University

ONE of the greatest truths in the realm of education which we have only recently come to realize is that it is the function and the duty of our system of education to train young men and women for achievement and leadership in every important field of human endeavor.

The old concept of an educational institution was that it was one attended primarily by the sons of the well-to-do and the professional classes, who went there to acquire a sort of personal culture or to prepare to enter the professions, and that it was an institution very little concerned with the everyday affairs of the work-a-day world. Today we have come to see that an educational institution is and must be one which concerns itself in very large part with the affairs of the work-a-day world.

Consequently there have developed in our colleges and universities what are known

as schools of commerce, of finance, of business administration. The character of our college population has changed; not only has the number increased tremendously, but the personnel has changed. Whereas a generation ago most of those who entered our colleges did so to enter the professions, today probably 75 to 85 per cent attending our colleges expect to enter business.

The principle upon which these schools rest is that it is possible for any individual to learn by experience in two ways—either exclusively through his own experience, or by the study and observation of the experience of others. The first method may be effective, but it is slow, expensive, crude and frequently disastrous. The second is much more advantageous to all concerned and is the theory underlying all professional and vocational education.

It is not our thought in these schools that

it will be possible to eliminate the necessary period of apprenticeship which the young man must serve. But it is our thought in providing instruction of this kind to assemble and analyze the experience of hundreds of thousands of financiers and business men and corporations and firms. It is not possible to eliminate the period of apprenticeship, but it is at least possible to reduce it, to save the young man from the commission of many mistakes and to advance him more rapidly.

In the development of this movement for business education the schools of commerce have drawn very largely upon the experience of the Institute of Banking, a pioneer in the field of business education. In my judgment the banking profession and business generally have a very real stake in the development of these schools, for they are destined to train a very large part of those who will be the leaders of tomorrow's business.

American farms to the number of 370,000 are now equipped with radio receiving sets, according to the Department of Agriculture. The number more than doubled during the last year the Government reported.

Preparing the Public for Coming Business Readjustments

BY GEORGE WOODRUFF

President, National Bank of the Republic, Chicago, Ill.

Undue Fear of Approaching Adversity Should Not Be Entertained. If Problems Are Convincingly Explained to Labor Reduction in Wages May Be Made Without Waiting for Great Business Reaction to Compel this Deflation. The Duty of Capital.

IT has been the general rule among bankers to talk largely about the bright side of the picture and to exercise great care in giving out any news that would indicate the approach of any possible adverse developments.

To many it has seemed that the bankers should cover both sides of the picture and that if they were to warn the people against approaching business reaction they would render even a greater service to their communities than by reporting the current conditions and prophesying approaching good times. Of course, the banker here is faced with a considerable problem, because he would like to warn his community to prepare for unfavorable developments, but he fears that by so doing he may actually help to bring about the very conditions that everybody would like to avert.

'With Adversity's Approach

UPON reflection it would seem as though this problem could be solved if every banker, who explained to the people that difficulties were approaching, would at the same time explain just how these difficulties could be met or overcome. There is no reason why people should unduly fear approaching adversity if all of the conditions leading to such adversity are clearly known, and as every period of adversity can be largely avoided or minimized by the proper action on the part of the people of the country an explanation of the ways by which an approaching period of depression may be minimized should tend to create confidence on the part of the people instead of fear.

As an example of what might be done let us consider the possible bad features of the present outlook. During the past few years while practically all of the world has been experiencing hard times we have been enjoying very good times, and this is somewhat surprising when it is realized that our productive capacity is enormously greater than before the war and that our exports have not been increasing and our agricultural classes have not been buying. Under ordinary circumstances it would be possible to employ our great productive capacity only through a large foreign trade and the usual heavy buying by our farmers.

Upon investigation we find that during the past few years our unusual good times have been based upon the unprecedented building boom, the great program of road

construction, and the extensive buying by our railroads, and this situation has been at least temporarily helped along by our tariff protection against outside goods and our immigration restriction against outside labor. Furthermore a very large number of so-called finance companies have sprung up throughout the country and these companies have made it possible for our people to buy all manner of things, ranging from an automobile to a new frying pan, on the deferred payment plan. In other words our people have gone into debt to the extent of a huge sum in order to buy goods, the sale of which has helped to maintain our recent prosperity.

It is of course pleasant to know that practically everybody feels that we are to continue to experience good business during the immediate future, notwithstanding the fact that the factors upon which our recent prosperity has been based are beginning to be eliminated. The feeling that business in the near future will continue to be good is based largely upon the belief that European conditions are becoming stabilized and that in the near future Europe will be able to offer sound securities in large amounts in the American markets, the proceeds of the sale of such securities to be used by the Europeans in buying necessary machinery and raw materials in our country.

The Day of Reckoning

SHOULD a period of enhanced prosperity and business enthusiasm follow this contemplated European program, it will be quite necessary that our people be protected against too much enthusiasm, because sooner or later there will come a time when it will be realized that these special purchases are nearing an end and that our further prosperity must depend upon an increase in our general exports and the protection of our home market against foreign competition, and at the same time it will also be realized that the increased special exports we shall have been sending to Europe are really the sinews of economic war soon to be turned upon us.

When this time comes we shall find that Europe is able to compete with us, because it then will have the equipment and raw materials necessary, and the European costs will be very greatly below our own costs, largely because of the enormous differential in the cost of labor. If this situation is

allowed to develop our exports will eventually suffer a great decline, because we shall be unable to meet the European prices that will be quoted in many foreign markets; and notwithstanding our tariff, it doubtless will be possible for Europe to sell great quantities of goods in the United States, the difference in the monetary exchanges making it possible for Europe to pay our tariff charges and at the same time sell to us at a profit. This would result in a considerable industrial depression and would lead to a great industrial readjustment before we could again enjoy general prosperity. The situation would merely demonstrate again the fact that history repeats itself, for after practically all of the great wars of modern times we have found that the countries that suffered the most in the war became more prosperous within a decade than the countries that suffered the least. This has been due, of course, to the fact that the countries that suffered the most have come out of the war with their costs reduced and their labor wages at a low point, while the countries that suffered the least have come out of the war with a burst of temporary prosperity and with costs and wages at a very high point.

It would seem as though our leading banks should attempt to inform labor convincingly of the impending economic changes and to explain the probable difficulties of the next five or ten years, but at the same time to state how by a universal understanding of the approaching difficulties and the exercising of good common sense on the part of our people the situation may be entirely reversed and prosperity be retained, the history of the results of other wars to the contrary notwithstanding.

Reductions to Come

IF the problems before us are carefully explained to and thoroughly understood by labor, we may be able to reduce wages without waiting for a great business reaction to compel this readjustment. Such a readjustment should lead to a prompt reduction of freight rates, fuel costs, and manufacturing expenses all along the line. While labor will, of course, be compelled to suffer temporarily to some extent by such a course, nevertheless it will be nothing compared to the suffering that will be brought about by an enforced readjustment and, under a voluntary readjustment, it will be but a short time

before labor will experience great benefits, because our lower costs will enable us to meet European prices quoted in foreign countries and thus make possible the maintenance of our export trade and incidentally also enable us to offer goods to our farmers at prices at which they can afford to buy. The result will be steady work for labor and the lower costs all around will bring down the cost of living to offset the lower wage.

It is not labor alone to whom the bankers should address themselves. Capital must also cooperate by drastically changing some of its customs. Capital has always preferred to remain at home; and this has been an excellent thing for our country during our development stage but, now that the productive capacity of our country exceeds its own demands, capital has become enormously plentiful and it will now be greatly to the interest of the nation for capital to turn to foreign investments.

Getting Our Payments

OUR people must be brought to realize the United States is now for the first time a creditor country. The world owes us money and must pay huge sums to us annually, while formerly during our entire history it was necessary for us to pay the world large sums each year. Furthermore, if our costs are reduced and our exports are increased in order to maintain our own prosperity, it will be necessary for the world to pay us additional large annual sums for the goods that we sell.

The world can only pay us in three ways: They can send us gold; they can sell us goods, or they can sell us securities. We do not want their gold, and they have little enough of it to send; we are not anxious for their goods, because their goods will disrupt our own domestic markets. There is then left the third method of payment—the sale to us of their securities, and here

capital must come to the rescue and form the new habit of buying sound securities from all parts of the world.

Capital, like labor, may suffer some by this change, because no matter how sound foreign securities may be, there is always an additional risk by reason of the fact that the issuers of the securities are located a long ways away. The duty of capital in this connection can be more fully appreciated when we realize that if capital does not buy foreign securities then foreign countries must pay us either by sending us gold or selling us goods, and as it will be impossible for them to send sufficient gold, it will mean that they will actually sell us goods. We have relied upon the tariff to keep such goods out of our markets, but while the tariff has been very effective while we were a debtor country, it will not afford us the same protection now that we are a creditor country.

Scrambling for Dollars

IN other words, it will be absolutely necessary for the world to pay us money, and this money must be paid in dollars. In all of the capitols of the world there will therefore be a continual scramble to exchange local currency into dollars. If we do nothing about this situation there will be very few people in the capitols of the world who own dollars that they are willing to exchange for local currency and consequently the people who must pay debts in America will offer an increasing amount of their local currencies in order to get dollars. This will be referred to technically as a rise in American exchange and in our country we will say that the exchanges of other countries are falling.

As it will be possible for a foreigner, who has American dollars, to get an increasing amount of his own currency for these dollars, he will be tempted to send goods to America and sell them in order to get

dollars to sell to his neighbors who are willing to pay such a large amount of his local currency for the dollar. The higher we put the tariff the greater will be the scramble for dollars, and consequently the larger will be the amount of local currency that a man can get for the dollars that he will receive for goods that he sends to America for sale. Because none of the countries of the world except the United States is now on the gold standard, it is possible for this instability in exchanges to largely offset the effect of our tariff.

When bankers have occasion to call attention to this danger to our home markets, they should at the same time strongly stress the remedy. If American capital will buy foreign securities, it will supply the dollars that it is necessary for the people of foreign countries to get in order to pay their bills to us. As a matter of fact, now that we are a creditor country the purchase of foreign investments is essential in order that our tariff may continue to operate to our advantage.

Labor must understand and help to reduce costs. Capital must understand and help to protect our markets. With costs reduced and our exports maintained, with investments abroad and our domestic market protected, with the increased purchasing power of the farmer that will also come with lowered costs, and with the economies that resulted from consolidations and the reduction of overhead, we should be able to ride happily before any storm that may threaten.

Many nations have become great, but a large part of their people have usually become poor. We should be able to reverse this tendency, and sound, hard-headed economic facts told to our people in constructive way by the great financial institutions making up the membership of the clearing house associations of America may very possibly enable us to remain the world's leading nation and at the same time the most generally prosperous country in the world.

Life Insurance After 65

By W. R. MOREHOUSE

Vice-President, Security Trust & Savings Bank, Los Angeles, Cal.

ANY discussion of thrift without reference to life insurance would be incomplete in view of the large part which insurance plays today in the life of our people.

To one who has only a limited knowledge of life insurance, I cannot but feel that present benefits to the insured are being almost hopelessly submerged by a constant reference to insurance as old age protection. Too often well meaning salesmen harp so much on the benefits of old age insurance that in the minds of millions of people insurance is principally for persons too old to work—a protection against misfortunes after 65 years of age.

To me, the life, accident and health insurance which I carry means protection every day, benefits every day, rewards every day—today, tomorrow, and as long as I live.

INSURANCE has much to recommend it, considerably more than what it will do for elderly people. What it does for them can be multiplied in what it does for men

who are still active and in the drive of a busy life.

The man who is building up a business is a better business man if he has fortified himself with insurance. He is a better loan risk at the bank, as compared with the man who has no such protection. He thinks clearer, works better and sleeps better, and has greater confidence in himself and his future, in the knowledge that he is fortified with a policy of insurance.

He knows that should he die his insurance will be sufficient to meet immediate demands for money. He knows that if he should live to a ripe old age, he has had a happier life, less worries and less anxieties as a result of having carried insurance. Having enjoyed the benefits of insurance through life, he can better appreciate old age benefits than the man who regards insurance as exclusively old age protection.

THERE are so many good points which commend insurance to the young busi-

ness man and the man in his prime that it ought not to be necessary to sell insurance almost exclusively on what it will do for old people. The cost of insurance is not an expense or a waste, but an investment. If its only benefit was a matter of old age comforts, it might be considered a gamble—for not all reach old age.

Some people buy insurance out of fear—so forcibly are they impressed with the danger of old age poverty. Perhaps it pays to use fear as a headliner, but I do not think so. Insurance brings immediate relief from fear—not in the distant future, but from day to day.

Every-day protection sounds better to me than "rainy day" protection.

As much can be said about buying a home in order that you can spend your old age in peace. How much better to buy a home for the happiness, contentment and independence it will give you today than to regard it as a refuge in your old age.

State Bank Division

Questionnaire Reveals Attitude of State Banks on Federal Reserve Relationship. Phases of Cooperative Marketing of Farm Products. Amendment to McFadden-Pepper Bill Modifies Branch Bank Provisions. W. C. Gordon Elected President.

IN his annual address at the convention of the State Bank Division President John D. Phillips told in detail of the work done in the past year in the investigation of the subjects designated for special consideration at the last convention of the Division, including the Federal Reserve relationship of state banks, orderly marketing of farm products and increased efficiency in the supervision of state banks.

The subject of branch banks was discussed at length by President Phillips, who gave the language of the proposed Hull amendment to the McFadden-Pepper bill and expressed himself as in favor of the amendment.

Addresses were delivered by Dr. William A. Ganfield, president, Carroll College, Waukesha, Wis., and Charles H. Brough, Governor of Arkansas, both of which will be found elsewhere in this issue.

"It has been the policy of this administration," said President Phillips in his address, "to be as practical in its work as possible and to spend its energy and money along the lines that were of vital importance to its members—to those individuals, institutions and organizations that are in any way associated with us—always bearing in mind placing foremost the welfare of our country as a whole.

"Resolutions at our last annual meeting outlined three subjects in which we might be interested: Federal Reserve relationship of state banks, cooperative marketing of farm products and increased efficiency of state bank supervision, and committees were appointed to undertake the tasks outlined. Not long after our meeting in Atlantic City, some members of the Federal Reserve System Committee, together with your President, met the Congressional Committee under the chairmanship of Representative McFadden investigating the reasons why more state banks were not members of the Federal Reserve System.

The committee appointed for this purpose from the State Bank Division believed they could obtain more thorough information, or at least additional information, to that being obtained by the Congressional Committee, and after discussing the matter with the Executive Committee which met in Chicago during

the week of January 14, 1924, a questionnaire, together with a letter from the President of the Division, was sent to about 12,000 banks belonging to the State Bank Division. Two questions were asked: 'Do you believe that the Federal Reserve System has been beneficial to the agricultural, commercial and banking interests of the country and that it should be perpetuated?' 'If your not being a member should contribute to the destruction of the Federal Reserve System would you join?'

"At the time the count was made there had been 4939 answers received, 4024 voting yes on question No. 1 and 477 voting no; 2876 voted yes on question No. 2 and 725 voted no. It is said by the officers of the

Association that the response to this questionnaire was the best of any ever sent out, the vote being about 45 per cent and, as the analysis shows, about 80 per cent of all the banks answering they believed the system had been a benefit to the agricultural, commercial and banking interests of the country and should be perpetuated.

"Letters were received from a number of the Governors of the Federal Reserve Banks throughout the United States commenting most favorably upon the work undertaken by the State Bank Division. On our way home from the spring meeting held in Augusta, Georgia, the committee had a meeting with Governor Crissinger of the Federal Reserve Board, Washington, D. C.,

and the Governor expressed his hearty appreciation of the work we were doing and the information it was possible to reveal to him through our analysis of the replies to the questionnaire. I want to repeat, that in my opinion the Federal Reserve Banking System of the United States is the best piece of financial legislation ever placed on the statute books of any nation in the world.

Attacks on the System

"THE necessity for this investigation has been largely brought about by the political demagogues who for the sake of making votes or for other reasons have maliciously and libelously attacked the Federal Reserve system. It is a sad thing to say that men occupying high places in the legislative halls of our nation would jeopardize the welfare and perpetuation of the greatest banking system in the world in order to become elected to office. We will, of course, admit that errors have been made in the administration of the system, where bad judgment had been used by some of the officers or employees of the different banks, but so long as men are human mistakes will be made and we have no more right to charge these offenses against the Federal Reserve System than we have a right to charge the church with the misconduct of some of its members.

"It seems to me that it is no less a patriotic duty of every banker in America to hold up



W. C. Gordon, president Farmers Saving Bank, Marshall, Mo., who succeeds to the presidency of the State Bank Division.

the hands of the officers of the Federal Reserve system and to lend their assistance in correcting any errors that might have been made and to amend any weak places that now exist therein.

"Your Committee on Orderly Marketing, headed by S. E. Bradt of De Kalb, Ill., consulted with the Executive Committee during the week of January 14 to 19, 1924, while the Committee was in session in Chicago, and also with Clifford B. Gregory, editor of the *Prairie Farmer*; J. D. Cloverdale, secretary of the Farm Bureau Federation; Chairman Burton M. Smith and D. H. Otis of the Agricultural Commission of the American Bankers Association; Walter Petet, secretary of the National Council of Farmers' Cooperative Marketing Associations; John H. Puelicher, former President of the State Bank Division and also of the American Bankers Association, and F. N. Shepherd, Executive Manager of the American Bankers Association. They concluded that much educational information might be set forth in a booklet briefly stating the various phases of the marketing proposition which would be helpful to all parties concerned in the proposition. Twenty-one universities and colleges of the United States have adopted this booklet as a text-book.

"Following the direction of the Committee a thirty-six page booklet was prepared by Frank W. Simmonds, Deputy Manager, and 25,000 copies were issued, 15,000 of which were distributed to the State Bank members, Cooperative Marketing Association and other interested individuals. The articles contributed in this booklet were contributed by: George E. Roberts, vice-president, National City Bank, New York; Henry C. Wallace, Secretary of Agriculture; Eugene Meyer, Jr., managing director War Finance Corporation; C. S. McCain, president, Bankers Trust Company, Little Rock, Ark.; Charles J. Brand, marketing specialist, United States Department of Agriculture; O. E. Bradfute, president, American Farm Bureau Federation; H. S. Yohe, Administrative Warehouse Act, United States Department of Agriculture; V. N. Valgren, Aetna Insurance Company Hartford, Conn.; E. G. Montgomery, Chief, Foodstuffs Division, United States Department of Commerce John E. Owens, president, First National Bank, Wills Point, Texas; D. H. Otis, Director, Agricultural Commission, American Bankers Association; Arthur R. Rule, General Manager, Federal Fruit and Vegetable Growers, New York; Frank O. Lowden, Chairman, National Wheat Growers Advisory Committee; Merton L. Corey, member Federal Farm Loan Bureau, Washington, D. C.; Lloyd S. Tenny, United States Department of Agriculture; Robert W. Bingham, chairman, National Council of Farmers Cooperative Marketing Associations; L. F. McKay, director of information, American Cotton Growers Exchange.

No Panacea for Ills

"IT has never been my privilege to read a booklet that contained so much sane, sound, business-like information as this one. We do not believe that orderly marketing is the panacea for all of the farmer's ills, but it is certainly worthy

of the most careful consideration of the best minds in America, not only among the farmers themselves, but by the bankers and business men as well.

"Agriculture is undoubtedly the basic industry of our country, and unless it prospers sooner or later chaos must come to all other industries. This seemed to be disproved when the depression came about three years ago and all other industries seemed to prosper at the expense of agriculture, but later the truth of this old adage manifested itself in no uncertain ways and every one again realized that unless the farmer could prosper there can be no general prosperity. While I believe the general condition in the agricultural states is better than it has been in the past, it has largely been brought about by the readjustment of personal loans into real estate loans, and by the farmers denying themselves the things they should have had. In other words, they are practising the strictest economy, using old machinery, denying themselves some of the comforts of life.

"These conditions are undoubtedly true because the farmer has been operating at less than the cost of production for the last three years. I know that from experience. I can imagine I hear some fellow say, 'How about the \$1.20 the farmer is now getting for his corn on the Chicago market?' He is not getting that now, but he was a few weeks ago. And I would not be surprised if there were some who will try to disseminate a good deal of optimism by talking about this high-priced corn and wheat that is bringing a little over \$1 a bushel, overlooking that no matter if the farmers were getting \$5 per bushel for their old corn they would have no more money for the 1923 crop than if it were not worth even fifty cents per bushel, because there is no corn, practically speaking, in the farmers' hands. So far as the wheat crop is concerned, the difference in the yield between last year's crop and this year's crop will more than make up for the difference in the price they are receiving at present.

"I am not a pessimist, but I want to impress upon those interested in this subject the necessity of the farmer being paid for his products the price that is in line with the things he is compelled to buy. His dollar is now worth sixty-seven or sixty-eight cents. Whenever it becomes worth one hundred cents, then prosperity will reign supreme in America. Under the present standard of values of other things the farmer ought never be obliged to sell his corn for less than one dollar and his wheat for less than \$1.50 a bushel, and other grains in proportion.

State Bank Supervision

"ALL good bankers are heartily in favor of the greatest efficiency in the supervision of their banks, regardless of the kind of charters they may have been operating under. This cannot be brought about unless the bank supervisor is a man of sound judgment, good common sense and a knowledge of the banking business as it exists in his state. An inefficient, incompetent political supervisor could create more havoc

among the banks of his state than a generation could amend.

"There is quite a movement in the American Bankers Association to realign the sections on what some are pleased to term functional lines, to do away with the present State Bank Section, National Bank Section and so on, and realign them along other lines. After seven or eight years of service in the American Bankers Association, I would be derelict in my duty and careless with the responsibilities upon me if I failed to admonish you to guard with care the rights, duties and responsibilities that rest upon you as a division. Be very slow in making new alignments and never under any circumstances make any changes until the most painstaking deliberations have been had on the subject matter before you. At all times remember your loyalty, devotion and obedience to the parent organization.

Branch Banking

"IF it were within my power with one stroke of the pen, to wipe from the statute books of the different states of America the right to own, establish and operate branch banks, I certainly would exercise that prerogative with a consciousness of duty well performed. But realizing that such a thing can never be done, the best thing to do is to confine the practice to those states where branch banking now exists under statutory authority. Recognizing further the justice of the national banks in those states that permit state banks to have branches, I would favor the enactment into law of the McFadden-Pepper bill as amended by the Hull amendment.

"I cannot close without paying my respect to the big chief, Walter W. Head, for his honesty, ability and determination to give everybody a square deal regardless of the size of his bank."

Resolutions were adopted for the divorcing from politics of the office of supervisor of state banks, for the performance of the functions of that office by men thoroughly competent and experienced in banking, and for the provision of sufficient funds in every state to enable this office to properly and promptly perform its duties. Other resolutions adopted opposed any reclassification or regrouping of functions or activities which would alter the status of the State Bank Division; and expressing sympathetic interest in cooperative grain marketing when such undertakings are managed by men of sound business judgment and experience in grain marketing and are operated along the lines approved by the farmer and for the mutual benefit of both producer and consumer.

The following officers were elected: President, W. C. Gordon, president, Farmers Savings Bank, Marshall, Mo.; vice-president, Grant McPherrin, president, Central State Bank, Des Moines, Iowa; members of the Executive Committee, three-year term: E. E. Crabtree, president, Farrell State Bank, Jacksonville, Ill.; S. J. High, president, Peoples Bank and Trust Company, Tupelo, Miss.

Guy E. Bowerman, vice-president, Tremont County Bank, Sugar City, Idaho, was chosen Chairman, Executive Committee.

Our Responsibility for World Peace

By CHARLES H. BROUGH
Former Governor of Arkansas

Greatest Contribution to Civilization Has Been Our Adherence to the Sacred and Eternal Things. Our Solemn Duty to Continue the Policy of "Peace on Earth, Good Will to Men" by Exercise of Political, Economic and Moral Leadership.

THERE can be no twilight zone of American patriotism—every citizen of the United States is either for his government and for his flag, or he is against his government and against his flag.

There are those within the confines of the land that has nourished, and, in many instances, prospered them and has vouchsafed to them the inalienable rights of "life, liberty, and the pursuit of happiness," who, with insidious political propaganda are seeking to undermine the independence of the judiciary and the wise separation of powers between the executive, legislative, and judicial departments of government, and who are preaching the doctrine of class hatred in desperate demagogical attempts to reach public office which they would never regard as a public trust. Patriots of all political faiths should boldly and bravely expose this political hypocrisy.

The Most Wonderful Work

THE American Constitution, the 137th anniversary of the adoption of which we have just observed, was pronounced by William E. Gladstone, the "Grand Old Man of England," and, on his record tour of the United States by David Lloyd George, perhaps the most brilliant statesman in Europe to-day, as "the most wonderful work ever struck off at a given time by the brain and purpose of man." With little Holland, we present the first instance in organic history of the absolute separation of church and state and the right of every man and woman to worship God according to the dictates of his or her own conscience; and we furnish the only instance in constitutional law, where there is a separation of powers between the executive, legislative, and judicial departments of government.

Our economic primacy among the nations is unchallenged. The property of our citizens is conservatively estimated at three hundred and twenty-five billion dollars, or one-half of the estimated wealth of the world. The lessons of thrift inculcated during the World War are bearing a rich harvest, yet extravagance still is the besetting sin of our people.

With the acceptance of the Dawes Repatriation Plan by the Allies and Germany, the pre-eminence of the United States as a great exporter and the financial leader of the world will be even more marked in the future than it has been in the past. Unless the signs of the times wholly fail, the United States is on the eve of a golden era of

golden prosperity, for the European situation is brighter and more normal than it has been since the war began in 1914.

Greatest Contribution to Civilization

OUR greatest contribution to civilization as a nation has been our sublime moral idealism and our adherence to the sacred and eternal things of life. Of the 110,000,000 Americans, 46,000,000, or 42 per cent of our entire population, are directly members of some church, and with one accord we subscribe as a people to the dying declaration of Andrew Jackson. "The Bible, sir, is the Rock on which this Republic rests." As a nation, we have always battled for the immortality of great principles, rather than for territory or commercial aggrandizement.

It is our solemn duty as a nation to continue this policy of "peace on earth, good will to men"—not by a failure to adequately equip ourselves to meet the onslaughts of Bolshevism and the insidious propaganda of Soviets, which is now being disseminated in vile pamphlets in every nook and corner of our land—not by the suicidal policy of reducing our army and navy and the appropriations for their upkeep and improvement to a bare minimum, as at present—not by criticisms against Defense Day, justly designed to stimulate American patriotism and teach valuable lessons as to the value of healthy preparedness at a time when only five cents of every tax dollar is being spent for our national defense in all of its branches—but by the exercise of our undoubted political, economic, and moral leadership of the world to preserve the friendly concert of the powers and the peace of the world.

The question as to whether the United States should throw her majestic strength among the nations and join with the other 54 signatory powers in the Covenant of the League of Nations, or participate in the International Court of Arbitration, is unfortunately at the present time involved in the mesh of our internal politics; but we should certainly begin to recognize that it is as true of nations as of individuals that "no one liveth to himself, and no one dieth to himself." Be it said to the credit of the bankers of our nation that they have always exercised their admitted power against wars and rumors of wars. But the time is at hand when the moral sense of the American people should be aroused against the continuance of man's inhuman-

ity to man, not merely by preventive measures, but by affirmative national action. There should be a referendum taken, entirely free from national politics, on some concrete proposal signifying our interest in the cause of world peace. It is true that we should "clean house" at home by taking drastic measures to stop the orgies and bloodshed of peace as well as the horrors of war—the undermining of our home life by hasty marriages, frequent and scandalous divorces, and midnight joy rides, which are ushering in saturnalia of riotous and licentious living unparalleled in our history; our growing lack of respect for the majesty of the law, reflected in the fact that last year there were over 12,500 murders in the United States, as compared with only sixty-three in England, a wave of criminality made doubly shameful by the technicalities and false sentimentality of our criminal procedure, and the decadence of real spirituality in our living.

A Profitable Policy

BUT a practical interest in the sublime cause of international peace, in my judgment, would have a healthy reflex action on the evils of our national life; it would purify our individual codes of action, strengthen our interest in the cause of righteous living, and ennoble our ideals. America's actual commanding position as the great exporting nation of the world would make this a profitable policy; our potential position as the political and moral leader of the world would make it a majestic policy. Cooperation between banks, made possible by the enactment of the great Federal Reserve System, has greatly strengthened the financial life of our country; the growing sentiment in favor of the value and practical success of cooperative marketing, seen in the single fact that there are over 300,000 members of the Cotton Co-Operative Marketing Association in the Southern States, who have greatly profited by this organization of producers, leads us to believe that the time is not far distant when there will be no appreciable bridge between the initial producer and the consumer; group cooperation between railroads and other agencies of transportation will eventually mean a fair reduction in the cost of distributing wealth, and, hence, a larger margin of profit for our producers and a renewed incentive to initiative and enterprise. Why not apply this beneficent principle of cooperation in lending the God-given power of America to the cause of world peace?

Women Making Great Progress in Banking



A group of women bankers at the Chicago convention. They are, left to right, Lillian Backus, director of personal service in the Greater New York Savings Bank, Brooklyn; Mina Bruere, assistant secretary, Central Union Trust Co., New York; Jean Arnot Reid, manager woman's department, Bankers Trust Co., New York; Mrs. William Laimbeer, assistant secretary of the U. S. Mortgage Trust Co., New York; Grace Stoermer, manager woman's department, Bank of Italy, Los Angeles; and Catherine Howard, director of personal service, Empire City Savings Bank, New York

ANY one attending the Chicago convention of the American Bankers Association must have been impressed by the attention and recognition given the Association of Bank Women. No less personage than Walter B. Head, President of the American Bankers Association, honored the women by appearing at their banquet and giving them a personal greeting, a hearty welcome into the field of finance and encouragement in the thought that in banking, woman's possibilities for progress were limited only by her ability. If one accepts the press as the barometer of opinion, constantly having its hand on the pulse of the public, then public interest in this rather new activity of women is unquestionable—not curiosity but intelligent, sympathetic, interrogative interest.

The organization is national in its scope. It has a membership of 132 women representing eighteen states, and is divided into the following divisions, with a regional vice-president in each: Middle Atlantic Division, Lake Division, New England Division, Mid-Western Division, Southwestern Division and Western Division. This geographical division makes possible the holding of small group meetings, so important in the early stages of any big national movement.

Is its membership limited? Only executives in banks are eligible. The Association boasts the membership of five women bank presidents, Mrs. B. B. Stevens, president, The Bank of Aline, Aline, Okla.; Miss Emma Duermaechter, president, Germantown State Bank, South Germantown, Wis.; Miss Flora Buck, president, Farmers State Bank of Genoa, Genoa, Ill.; Mrs. F. J. Runyon, president, First Woman's Bank of Tennessee, Clarksville, Tenn., and Mrs. Jessie K. Taylor, president, Haddam State Bank, Haddam, Kan.; many vice-presidents, assistant secretaries, managers of women's de-

partments and directors of service departments.

From what field of activity have women been drawn into banking? Some have accumulated experience by long years of departmental training in a bank, others lured from professional positions—the field of art, science and some from social careers—have necessarily accumulated it by intensive study.

At the Chicago convention—the second annual meeting of the Association of Bank Women—70 members of the total membership of 132 met for exchange of experiences, for serious consideration of problems of mutual interest to executives in trust companies, state, national and savings banks. "Extension of Service to Savings Depositors," "Woman and Her Property," "Relation of the Savings Department to the Investment Department" and "The Women's Banking Department—Its Organization and Function," were all topics of lively interest and discussion.

Miss Flora Buck, president of the Farmers State Bank of Genoa, Ill., and Miss Emma Duermaechter, president of the Germantown State Bank of South Germantown, Wis., gave encouragement and hope of public recognition and reward to the ambitious woman executive who is willing to pay the price of long, conscientious training. Miss Nora Kirch, manager, women's department, Louisville Trust Company, Louisville, Ky., has been in the bank since she was thirteen years old and is an inspiration to the woman who would know the joy and compensation of a rich full life of service. Miss Jane Addams, speaking at the Association's banquet on the subject of "Women in the Orient," said, "I am surprised at the strength of your organization. Your position is unique and your responsibility is great. You are leading the way for women in the field of finance and economics."

Woman's greatest contribution to the field of banking will not be shrewd investment knowledge nor suggestion for better methods in the handling of the bank's resources, but a human understanding of the everyday needs and problems of men and women and a study of the methods and the extent to which the bank could and should go in supplying these needs.

Par Clearance

CONFIDENCE was expressed by C. B. Claiborne, vice-president, Whitney Central National Bank, New Orleans, chairman of the Committee on Exchange, in a report to the State Bank Division that the result of the fifth par clearance suit, now in litigation, would be to extend to member banks of the Federal Reserve System, whether state or national banks, the same privilege to charge exchange as has been obtained for the non-member banks. Reviewing the history of the par clearance litigation, Mr. Claiborne predicted that the interpretation placed by the committee on the Supreme Court decision in the North Carolina case would be substantiated and asserted that "there could be no serious doubt as to the lack of authority of any Federal agency by whatever means, statute, included to dictate the internal policy of state chartered institutions."

First Manipulating Warehouse

THE first manipulating warehouse in the United States was established in San Francisco in June, 1924 by special permission from the Secretary of the Treasury," the *Commerce Monthly* issued by the National Bank of Commerce in New York recounts. "San Francisco organizations were active in urging upon Congress the adoption of a special provision in the tariff of 1922 for the establishment of manipulating warehouses and that city is now the first to make use of it. A private company owning bonded storage warehouses has been authorized to set aside a portion of one of its buildings as a manipulating warehouse where imported goods may be brought without payment of duty for cleaning, sorting, repacking or other change in condition. If the goods are re-exported no duty is collected, but if they are withdrawn for consumption in the United States the duty must be paid in full. Goods intended for re-export enjoy the privilege of a stop-over for repacking or any handling necessary to prepare them for consumers' use. Processes permitted in the manipulating warehouse do not include manufacturing of any kind. While a manipulating warehouse differs both in size and in scope from a free zone (or free port), the new system may be regarded as one result of the movement for free zones in ports of the United States. Since 1913 commercial organizations interested in foreign trade have urged upon Congress the enactment of legislation which would provide in American ports facilities for transshipment trade similar to those in certain European ports. The term 'foreign trade zone' is coming into use in American discussions of the subject. Hamburg, Bremen and Copenhagen are the best known of European free ports."

A Plea for the League of Nations

By THOMAS B. MCADAMS

Vice-President, Merchants National Bank, Richmond, Va.

Organization Now Definitely Functioning as an International Clearing House of Ideas and Good Will. Americans Should Recognize It or Recommend a Suitable Substitute to Perform the Same Service. Our Obvious Duty to the World's Welfare.

DURING the last few years our business and social relations have been developed upon a higher plane because of the increasing emphasis laid upon the three words, service, cooperation and self-sacrifice.

Service, represented by real effort and practical achievement, forms the basis of industrial development and the growth of the individual.

Cooperation, the tying in of individual or corporate service with others of like purpose and interest, has resulted in broadening the effect of service and making it more constructive and comprehensive, while the reawakening of the spirit of self-sacrifice has served to stimulate an increased interest in our obligations to the community and the national welfare.

Our response to the appeal of the nation in time of war, our ability to eliminate partisan and personal differences for the benefit of the whole, the development of the religion of service in business by such organizations as Rotary and Kiwanis, the effort to link practical achievement with idealism and to make our idealism more practical, have all served to increase the efficiency of our commercial, financial and political life.

Value of the Clearing House

THE Clearing House of today includes among its best assets the spirit of cooperation and self-sacrifice, as well as a practical ability to serve. First organized for rendering the definite service of clearing checks and reducing the physical labor and risk in effecting daily settlements between banks, the Clearing House, through the incorporation of cooperation and self-sacrifice, has succeeded in humanizing the original machinery and making it a vital force in community development and in protecting the stability of the financial structure.

Cooperation has brought about the adoption of rules for the protection of members; the reduction of interest charges and unnecessary expense, born of foolish competition; the elimination of unsound practices; the exchange of credit information, at one time looked upon as the inviolable secret of the individual bank; the employment of examiners to make each bank stronger through keeping all institutions in the community on a sound basis, and, where necessary, the use of the influence and the assets of member banks to protect the community and some particular bank which, through unfortunate loans or otherwise, may have become involved. This last cooperative service also includes the element of self-sacrifice, resulting in the assets of the more conservative in-

stitutions being used to save some neighboring bank whose troubles were the direct outgrowth of unsound competitive methods adopted at the expense of its sounder and stronger neighbors.

The willingness to cooperate and make sacrifices for the benefit of the whole was exemplified in the panic of 1907. The issue of Clearing House certificates saved the then tottering financial structure from collapse, while self-sacrifice was the ideal which stimulated the banks in their efforts during the several Liberty Loan campaigns to urge their customers to purchase bonds through the withdrawal of deposits, which represented the bank's stock in trade and had been accumulated over a long period through expenditure of both time and money.

The Clearing House section, as the clearing house of clearing houses, has a definite place in the affairs of the American Bankers Association. It is the one group which includes banks of every character of charter, every type of banking service. Here the methods of protection and service, which have been tested in one community, may be developed and strengthened and made available for the use of others. Here the pitfalls into which one group may have fallen and those unsound practices which produce failure can be discussed and analyzed for the protection of the banking interests of the country.

Its Increasing Scope

ITS growth is the best evidence of its being worth while, while the increasing scope of its usefulness in carrying the clearing house idea of the large city to the small town and rural community is a definite service—protective and constructive.

In 1919 there were 243 clearing houses in the Section. Today this number has been increased to 362, a growth of approximately 50 per cent in five years, and it is particularly gratifying to note that this increase has not come through the absorption of existing agencies but through the establishment of new clearing houses. In this growth and increasing influence, in this spirit of service, cooperation, self-sacrifice, may we not find the solution of the most important problem facing our nation today—its foreign policy and the part the United States shall play in the rebuilding of world commerce and the stabilization of world affairs?

Unfortunately, during the past few years our foreign policy has been so intertwined with partisan politics, with expediency rather than cooperation, that a certain element of selfishness, insuring safety for the moment, has had a greater part in guiding our for-

eign activities than has the basic spirit of America—a spirit which inspires us to be real factors instead of mere onlookers in the development of those great humanizing movements affecting the fundamentals of civilization.

Our generosity, our courage, our sympathy as a people, have never been fairly challenged, but in the reaction following our war activity we have been so busy getting our own house in order that we can be justly criticized for our failure to measure up fully to the opportunities of the hour; to answer boldly and enthusiastically the challenge, aye the appeals, which have come to us from every side, accompanied by absolute confidence in our ability to accomplish, if we only will.

The League of Nations

WHETHER or not we are familiar with, or even approve of, the details of the organization of the League of Nations, we are forced to recognize that it is an organization definitely functioning at the present time as an international clearing house of ideas and good will. Admitting the necessity for some character of organization, working for rather than against international harmony, it would seem fair to suggest that, as individuals and a nation, we should recognize the existence of the League or else be prepared to recommend some suitable substitute which will have a better chance of performing that service to the world to which it is committed.

At present it is largely a piece of untried machinery, just as the local Clearing House was when it started to function as a clearing medium. We cannot expect the spirit of idealism to develop too rapidly, but service and self-sacrifice will grow if they be allowed to develop normally, and if those, who can assist in that development, will make definite contributions toward the perfection of the Covenant and the protection of its fundamental principles.

Today it is in about the same shape as was the American Constitution when it was first proposed, and American allegiance is as essential to its success as was ratification by Pennsylvania and Virginia necessary for the American Constitution to be made effective.

You will recall it was adopted with fears and misgivings, each state recognizing that it involved the sacrifice of sovereignty and an assumption of responsibility in maintaining the integrity of sister commonwealths, but the decision was finally reached, and if imperfections existed they could best be remedied by constructive efforts from

within rather than through destructive criticism from without.

No Longer Political Issue

FORTUNATELY the League is not a vital issue in the pending political campaign, so its merits and demerits may be considered dispassionately and free from party and other selfish obligations, and as individual Americans we are challenged to consider its possibilities before we decide to hamper its effectiveness through lack of co-operation or question its legitimacy through failure to recognize its existence.

It is the only existing international combination of those world forces which are actively striving for the protection of property and human beings, and while, as some predict, it may fail, there is no one so wise as to be certain of either its incapacity or ultimate ineffectiveness. A bank may fail, but that does not keep us from going into the banking business. The possibility of failure has never kept brave men from striving to reach a worthy objective.

What other medium can we suggest for helping to keep the international peace, and shall we put it permanently aside because of possible imperfections, when we have nothing more feasible or constructive to offer? We are in a position to clear up misunderstandings and imperfections by outlining the basis upon which we are willing to participate. Participation with proper reservations is constructive, while national indifference means ultimate isolation.

One conclusion seems obvious. If the League of Nations fails in this period of its infancy, we have no alternative but to return to the old order, and the old order has ever been the breeder of wars and chaos, with sorrow, ruin and destruction in their wake.

A British Opinion

ONE of the greatest of English bankers told me recently in London that while England had not been particularly enthusiastic about the League when it was originally suggested, he now felt convinced that if the League should fail world chaos would be inevitable. And, make no mistake, world chaos includes the United States, no matter how isolated we may imagine ourselves to be.

Unofficially we have been able to render a definite service in rehabilitation and reconstruction. Our financiers and business men have made wonderful contributions of time and energy toward assisting our friends across the sea in their effort to effect a satisfactory solution of their social and economic problems. If this be a worthy task, challenging the unofficial imagination of our patriotic citizens, what reason can there be for not answering this other appeal with the same spirit, with the same ideals of world service as those which inspired us during 1917 and 1918?

From a cold business standpoint, we find ourselves a nation with \$10,000,000,000 of past due and unfunded accounts receivable. What chance have we to collect this principal or interest unless we assist in the rebuilding of the business of our debtors, unless we put our hand to the plow and so stabilize international affairs that industry abroad may again become normal, and the nations in our debt restored both in spirit

and financial strength to such an extent as will enable them to make a satisfactory settlement with our government?

Sooner or later we will likely come to the conclusion that the settlement which will cause the least confusion in the international exchange of credit and commodities will come through the investment of the major portion of the principal sum due us in the development of foreign public service and other corporations.

Praise for Dawes Plan

IF this come to pass, we will be even more interested in the maintenance of international peace and the protection of international rights than we are today, although the amount due us is just the same whether it be represented by indefinite obligations of governments or direct investments in foreign enterprises.

As American bankers we are justly proud of the splendid ability shown by the Committee, consisting of Messrs. Dawes, Robinson and Young, in the formulation of the plan for readjustment and rehabilitation. The best evidence of the wisdom of the report of this Committee of Americans is that the plan has been approved and adopted by all the nations interested. The dominating personality and persuasive eloquence of the chairman of the committee was a most important factor in the development of that public opinion in the various countries which formed the basis for the ultimate ratification of the plan by the several legislative bodies.

However, regardless of how constructive the plan may be; regardless of the sagacity shown in its preparation; regardless of the possibilities it holds out for an economic and industrial revival in Europe, the time and energy spent upon it will have been wasted unless there can be created a reasonable confidence in the stability of European affairs through the elimination of the possibility of war and thus insure an uninterrupted era of development, during which internal and international business may be first revived and then rebuilt.

Confidence in the future is essential to business growth and the constant fear of war is a detriment to individual initiative and will break down rather than insure business stability.

Challenge of the Dawn

A SHORT distance from the Nelson monument in Trafalgar Square, London, there has been erected a memorial to a woman. The figure, clad in the pure white garments of the nurse, represents to a sublime degree the spirit of service, the ideal of self-sacrifice. It would have been possible to place an inscription upon this monument which would carry to generations unborn a message of hate and draw for them a picture of the tragic scene in which this woman, whose waking hours and efforts were all consumed in the relief of suffering, was taken from a cell in that dark hour just preceding daybreak and shot to death by a firing squad inspired by a jealous hatred of her race. The sensitive Englishmen, however, with the repression characteristic of them, determined that this monument should be a challenge to the nation of tomorrow rather than a mere rebuke to a cruel foe.

For words of hate they substituted a word of hope, and thus in memorializing the splendid woman who gave her all to her country, no less effectively stigmatized those responsible for her death.

Edith Cavell is no more, but in keeping with her own final statement that "patriotism is not enough, there must be no hatred in my heart for any one," the inscription on her monument is the simple but effective one: "Dawn—October 12, 1915." Everyone who reads it visualizes the scene and everyone who analyzes it must at the same time feel its challenge that the beginning of the new day, which it foretells, shall, through their efforts, be made worthy of the sacrifice it commemorates.

From the standpoint of orthography, it is not a far cry from Dawes to Dawn, and the Dawes plan may in reality become the dawn of a new era of industrial and commercial progress; a new era of stability in world business and international relations; perhaps a new era of Peace on Earth and Good Will Toward Men, if farseeing America will but catch the spirit of the vision, and inspired by the challenge of the Dawn, take her place at the side of the other nations in carrying forward the work of the world in the day now breaking.

Bankers in Mortgage Field

(Continued from page 227)

stationary, as against 50 per cent in November, 1923; 16 per cent downward, as against 10 per cent in November, 1923.

A safe and satisfactory experience for an investor in mortgage loans is perhaps more dependent than any other single factor upon the integrity, knowledge and long experience of the issuing company. Too much stress cannot be laid upon this point, in these days of newly fledged companies, high-powered salesmen, and full-page advertisements. Real estate over a period of years produces only a certain average return. It will be found inadequate to meet the exactions placed upon it in many cases.

In former times mortgage securities were largely purchased by wealthy individuals and estates, who now, owing to the taxation of income from such securities, have withdrawn their funds in favor of tax-free securities. The mortgage market has therefore been broadened immeasurably to include a vast army of people of small means and of limited financial knowledge. The mechanics of the process under which this tremendous new volume of mortgage securities has been made available to these hundreds of thousands of investors have been perfected to an extraordinary degree. The mortgage business as a whole is in position to attain a place of prominence and recognition hitherto deemed impossible. It is, therefore, the bounden duty of all right-minded and conservative lenders to bend every effort not only to safeguard their own securities, but also to voice unqualified opposition to methods, practices and principles which will make questionable, unless opposed, this whole class of investments, and bring loss and sorrow to innumerable people who cannot afford to risk their hard-earned savings.

State Secretaries Section

Reports Show the Need of Closer Cooperation Between the Banks and Various Agencies for the Suppression of Crime. Burns' Operatives Criticized, but the Continuation of Their Services is Urged. Educational Plans for Year Announced.

A MARKED decrease in the losses sustained by banks through burglaries and hold-ups in recent years and a recommendation that the protective service of the American Bankers Association continue to engage the Burns Agency's services in the apprehension of criminals who prey on banks, were the outstanding features of reports read before the State Secretaries Section of the Chicago convention.

The improvement in crime conditions was reported by W. F. Keyser, chairman of the Insurance Committee. The report is printed elsewhere in this issue. The recommendation that the services of the Burns Agency be continued was made by Eugene P. Gum of Oklahoma, chairman of the Committee on Protective Matters, who, after telling of wide-spread criticism of the Agency because of lack of concrete results, said in part:

"Regardless of criticisms, we find so much of real merit in the services rendered and the results obtained by the Burns Agency through the Protective Department of the A. B. A. that we recommend a continuation of the service, suggesting certain changes that seem expedient.

"Banks should accept their share of the responsibility in cutting down the volume of criminal operations against their institutions. While the Burns Agency is essential, it should not be relied upon, as it is only a factor in the suppression of crime.

"Methods of crime prevention should be evolved and utilized. Some of these methods could be exercised by the A. B. A., but many of them must be administered by the state associations. Therefore, there is necessity for a closer cooperation between the two.

"So long as bankers ignore their secretaries' warnings and continue to take long shots on uncollected items from unknown parties, the professional check artists will be the ones to declare the dividend."

Mr. Gum advised as better means of cooperation the installation of the most modern vaults and safe equipment, the use of up-to-date burglar alarm systems and the cutting down of the amount of cash on hand to the minimum. He also urged that the banks join in offering rewards for the arrest and conviction of robbers. As to check frauds, he suggested that banks re-

fuse to cash items without proper identification and indorsement, especially uncollected items.

Mr. Gum said that where practicable state associations should employ private detectives to assist the A. B. A. investigators and other agencies for the suppression of crime.



W. F. Augustine, Secretary of Virginia Bankers Association, New President of State Secretaries Section.

A reward system properly administered by state associations should mitigate the crime menace, he believed. He indorsed the "Iowa plan," under which bankers organize vigilance committees, under Government regulations, and are armed by the Government to cooperate with the peace officers. State associations should consider taking up this plan throughout the country, Mr. Gum said.

Among the many suggestions which Mr. Gum said he had received from the secretaries of the various state associations in the campaign against check manipulators was the following:

"I am trying to get the country banks to photograph every man for whom they cash a check without knowing him. I am

betting 8 to 5 I will not induce enough of them to make it worth while. They want protection, but they do not want to be bothered about it."

Mr. Gum cited this communication to show that the state secretaries are racking their brains for new and unique protective measures, but their ideas often fall upon apparently indifferent ears.

C. F. Zimmerman of Pennsylvania, reporting on the subject of public education, said that the return of J. H. Puelicher to the leadership of the movement had given it great impetus. The enlistment of Stephen I. Miller, educational director of the American Institute of Banking, had also greatly aided the work, Mr. Zimmerman said. A lively interest was reported in the courses offered by the institute chapters, and, Mr. Zimmerman believed, they would be the future mainstay of the public speaking program.

Educational Plans Outlined

E DUCATIONAL plans for the year, as reported by Mr. Zimmerman, include the condensing of the former series of talks into five for those making addresses before the schools; the preparation of a new series of talks suited to children of the eighth grade; preparation of two addresses on banking for use before civic and business men's clubs, and continued cooperation between the educational committees of the various state associations and educators.

Mr. Miller explained to the secretaries his work in bringing the American Institute of Banking to the country banks through the correspondence group instruction plan. This consists of forming classes of from ten to thirty members in the smaller cities and towns and putting each class in charge of an instructor whose appointment is approved by the national office. This instructor conducts round table discussions, interprets material and so far as possible directs the individual student. The organization of the respective units, Mr. Miller said, is put in the hands of key men chosen from the banking profession in or near the localities where the classes are established. The total cost to each student of each course is \$14, which represents absolutely no profit to the national office, Mr. Miller said.

It was explained, in answer to questions from the secretaries, that the study group plan did not do away with the correspondence work of the Institute, but was carried on in connection with it.

O. Howard Wolfe of Philadelphia spoke on "Analysis of Accounts in Country Banks." This address is printed elsewhere in this issue.

Among the resolutions adopted by the secretaries was one expressing sorrow over the death of Andrew Smith, for twenty-two years secretary of the Indiana Bankers Association and a member of the secretaries section since its organization. He died on Aug. 4, last. The members stood for one minute with bowed heads in tribute to Mr. Smith.

The Section's New Officers

THE following officers were elected for the coming year: President, William F. Augustine of Virginia; first vice-president, Eugene P. Gum of Oklahoma; second vice-president, Harry G. Smith of Kentucky; secretary-treasurer, Robert E. Wait of Arkansas; members of the board of control, William F. Augustine, Eugene P. Gum,

Harry G. Smith, Paul Hardey of Colorado, and Charles E. Hoyt of Connecticut.

Mr. Augustine, the newly elected president, was unable to be at the convention because of illness, and a telegram of sympathy was sent to him. M. A. Graettinger of Illinois, who had been secretary of the section for six years, declined to stand for reelection. Mrs. Helen M. Brown, the president for the last year, expressed the regret of the members at Mr. Graettinger's decision, and W. W. Bowman of Kansas presented the retiring secretary with a silver service as a token of the members' appreciation of his work.

At the close of the session Haynes McFadden of Georgia asked the aid of the secretaries in the distribution and sale of the new Stone Mountain Confederate Memorial fifty-cent pieces, which the Government soon will coin. There are to be five million minted, and they will be distributed through the Federal Reserve Banks to the commercial banks with the request that the latter offer them for sale at one dollar, the fifty cents realized on each one going to the fund to complete the memorial, which

is being carved on the side of Stone Mountain by Gutzon Borglum, the sculptor.

"Each fifty cent piece will be sold for one dollar," said Mr. McFadden, "and the bank in stocking the coins will simply obtain them at par value from the Federal Reserve Bank of their district and will then sell them to the public at 50 per cent profit. The proceeds will be remitted to the Stone Mountain Memorial Association. The bank is not obligated to sell any number of them and will be expected to supply them only in response to the popular demand which the Memorial Association will create through business men's organizations, women's clubs, etc."

Mr. McFadden asked that the secretaries send out to members of their associations a circular explaining the coin and its purpose and the method of distribution. On motion of Paul P. Brown of North Carolina, the secretaries pledged their aid in the matter.

The final business of the session was the adoption of a motion that the Insurance Committee of the American Bankers Association be asked to insist that insurance companies recognize travelers' checks as securities, in cases where unsold checks are stolen.

Fear of German Competition

"APPREHENSIONS expressed in various quarters concerning the immediate extent and importance of German

competition, as a result of the adoption of the Dawes Plan, are seemingly exaggerated, although it is plain that the success of

the Dawes Plan is dependent, to a great extent, upon the ability of Germany to export her manufactured goods," according to the American Exchange National Bank of New York.

"It is generally conceded that Germany's plant equipment is in excellent condition, much of the waiting time of the last few years having been utilized in extensions of industrial plants and in conversions of war plants to industrial purposes. These conversions of war plants have placed Germany in position to compete in new fields. She has developed facilities for the production of electrical and other machinery and will be an important competitor in the markets for such equipment after the signal guns that will start the competitive race have been fired.

"But it is a mistake to conclude that Germany will enter the competitive race without handicaps and in better condition than any other contender. The success of the Dawes Plan depends on Germany's ability to sell freely in open markets, and it is to the interest of some of the important countries of the world that she have access to markets, but it is already apparent that barriers will be placed in her way even by the countries that will benefit directly from her ability to sell goods with which to pay reparations. England and France have restored import taxes on German goods. Germany's frontiers are more circumscribed than they were, and some of the important branches of her former industry are now under the jurisdiction and control of foreign governments. France's early retirement from the Ruhr may be conditioned on joint ownership and perhaps joint control of basic German industries. These are important handicaps. Further, the Dawes Plan places a direct tax upon German industry that must be borne as an addition to the ordinary taxes required for purposes of government."



Three delegates from the South—Left to right they are: Robert E. Wait, secretary, Arkansas Bankers Association; Foster Hamilton, vice-president, The Bank of Alabama, Ensley, Ala., and Alvin P. Howard, vice-president, Hibernia Bank & Trust Co., New Orleans, La.

Crimes Against Banks Increase

By JAMES E. BAUM
Manager of Protective Department

CRIMINAL depredations against banks reached the peak during the past year. The constant increase in criminality since 1919 has passed the day of reckoning, and unless bankers themselves apply more drastic preventive measures there is no assurance of this rising tide of crime subsiding.

With the exception of burglaries, last year developed startling increases in the operations of bank crooks of all types, the heaviest toll of any year being exacted by check operators, bandits, swindlers and embezzlers.

The laborious task of bank burglary is apparently yielding to the more daring and productive art of robbery, known as holdup,—the 1921 high mark of 240 burglaries against members dropping to ninety-eight in the past year. Over the same period, "holdup" robberies of members increased from ninety-seven in 1921 to 165 in 1924. There is food for serious thought and action in these figures when we recall that ten years ago insurance companies and banks treated "holdup" risks as a side issue in their burglary and robbery coverage.

Daily newspapers and Protective Supplements to the American Bankers Association JOURNAL are rich enough in detail of the methods used by bank bandits to avoid repeating. Last year 90 per cent of these daylight robberies of banks occurred in the suburban or rural districts, where police protection is largely in the hands of constables and sheriffs, whose first duty is to their local community or county. Their work is severely localized and seldom permits of the time or facilities to match the speed of present day highwaymen and their high-powered automobiles. Too often it is a restricted and disconnected effort on the part of otherwise able authorities. The system is wrong and, if Protective Department statistics mean anything, the remedy is suggested by results in those states operating state police forces.

Connecticut, Maryland, Massachusetts, New Jersey, New York, Pennsylvania and West Virginia, with state-wide police systems, suffered a total of forty-six bank robberies during 1921, 1922 and 1923. Of the states without state-wide protection, Indiana alone exceeds this total. Extending the comparison further, to include three other states with limited protection—Illinois, Missouri and Oklahoma—we strike a total of 473 robberies for the three years. In other words, with about an equal number of banks, Indiana, Illinois, Missouri and Oklahoma suffered ten times the number of

bank robberies. The cost of maintaining state police systems is usually offset by the value of property confiscated or recovered and fines collected.

The Protective Committee of the American Bankers Association considers these results as significant of a situation serious enough to warrant prompt action by all thinking business men. While we are much

tions of check manipulators, if all members would heed these warnings. Watchful members, thus forewarned, are in the strongest position to avoid loss, and possible embarrassment with their customers, by checking the amazing progress of these professional tricksters. Enough of them were trapped in this manner during the past few months to satisfy the Protective Committee that breaking

this portion of the crime wave rests with those members giving effect to these warnings broadcast from the experience of more than 22,000 banks.

In dealing with these controllable crimes, bankers should be directly interested in the fact that fidelity losses have increased more rapidly in the past four years than in any previous period of record. The experience of surety companies shows the loss ratio on bank fidelity risks to be more than 15 per cent greater than fidelity losses in other lines. Although these insidious crimes are more readily controlled and are preventable with proper management, the ease by which a number of professional crooks attach themselves as employees has been startling. Operators of this type use genuine references fraudulently obtained from reputable applicants for bank work and this method has been developed to a sufficient extent to warrant the strongest safeguards as a preventative.

The Protective Committee deprecates the carelessness shown by bankers and banking houses in entrusting to subordinates or poorly paid and irresponsible employees bonds, securities, valuable papers, etc., which results in greater losses to banks, consequently to the insurance companies, and thereby increase the insurance premiums of all banks. We favor any movement on the parts of banks or insurance companies to require the personnel of banks to be more carefully selected, and will support surety companies in any effort they make.

It is obvious that without a positive and reliable identification of new employees surety companies, as well as banks employing such characters, may be victimized and heavy losses sustained without knowing the true identity of the embezzler. This phase of criminality—dealing with the inside operator—has progressed to a point where ordinary measures may prove costly. The clearing house section has already made an invaluable contribution along this line through their system of examinations, but unless absolute identity of every bank employee is known, an examination may be too late and employers may thus find themselves in the



The High Cost of Lawlessness.

concerned about the "moral unrest" of people, the banker is specifically concerned in dealing with the facts and should lead the way in checkmating the efficiency of criminals by securing an equal or greater efficiency and wider organization of police protection throughout the States now suffering for the want of it.

Elite Bank Crooks Active

AMONG the more elite set of bank crooks—check passers, swindlers, embezzlers, etc.—we find these students of applied psychology have also extended themselves during the past year. Since 1919 their operations have grown far beyond the increase in "debts to individual accounts." Unlike crimes of violence, a majority of these cases are controllable, if not preventable, by the exercise of due diligence and sound banking practice in management. Protective Supplements of the JOURNAL are filled with enough danger signals to break up the opera-

position of compromising crime at a heavy loss.

Identification Bureaus

IT has been suggested that central or localized bureaus of identification be organized to provide bankers and other business men with information which would establish the identity of employees and their records. In the banking field, however, it is a question whether such a plan would prove fully effective without 100 per cent support from all bankers. Admitting the cause of such an innovation to be serious, its use can be rendered valueless by incomplete records. In any event, the banker must assume the responsibility of proving the identity and character of his employees and the organization of any special agency for this imperative information carries no assurance that the banker requiring it most will use it. In short, the scheme will not prevent carelessness on the part of employers when hiring new employees.

A "division of identification" is now in operation in the Department of Justice at Washington. This central station of information has been sorely needed, if only to provide positive identification and records of professional criminals. In this division, which is a part of the Bureau of Investiga-

tion, it is planned to retain a complete history including fingerprints and photographs of all criminals of record, the country over. This is a necessary step in the right direction and the crime situation warrants similar organizations in every state. California has shown considerable progress in this work, but the need of establishing more State bureaus of criminal identification should arouse the interest and support of all bankers.

Both member and non-member banks should be keenly interested in the fact that over a period of thirty years of Protective service by this Association, 1632 burglaries were perpetrated against its members, with a total loss amounting to \$1,212,000. In the same thirty years, non-member banks, which are much smaller in number and possible loot, suffered more than 2374 burglaries and sustained a loss in excess of \$4,170,000. This shows an excess ratio of 45 per cent against the non-member banks in the number of burglaries and a loss figure 240 per cent greater.

The Record for 1924

ALTHOUGH the total number of investigations conducted last year exceeded the 1923 figure by 37 per cent, it is gratifying to report that more than half the 1924 total of

1522 cases were closed successfully. This result contrasts favorably with the 1923 record of closing, one-third, or 374 of a total of 1107 cases. Any fair analysis of results in criminal investigations, however, must give due considerations to the fact that many cases are taken up without any workable leads or evidence of identification. Our agents are often confronted with such hopeless situations on check operations and burglaries. A reasonable allowance for the number of investigations handicapped in this manner would increase the proportion of cases successfully closed to at least 75 per cent of the total.

Measured in dollars alone, and apart from the greater inestimable loss in character of life itself, the cost of crime to industry and banking in this country is now at high tide. According to the estimates of insurance companies, it already equals the budget of our Federal Government and is mounting higher. As an economic factor in business it has long since arrived, and whether this enormous toll is paid direct to criminals or indirect through increased insurance premiums it is a tax which cannot be lessened until the conscience and ideals of American business are quickened into united action for immediate reduction.

Business Relations With Russia

IN international finance a note of warning with respect to business relations with Russia was struck by Fred I. Kent, Chairman of the Commerce and Marine Commission. Reviewing how the Soviet government had, by summary action, taken away all of its purchases from the Germans and had transferred these accounts to the Dutch and Czecho-Slovaks and recounting how the Russians had transferred such trade as was being carried on with France to another country because a decision of the French Supreme Court did not meet with the approval of the Soviet, Mr. Kent cautioned the bankers to bear these things in mind when they are confronted with the question of financing operations which have to do with Russia while the present form of government prevails.

He alluded to the Anglo-Soviet agreement, soon to be placed before the British Parliament for its approval, and stated that the opinion was held in some quarters that the present McDonald government might fail because it had been induced to sign something that probably would not meet with the approval of the British people. The terms of the second agreement, he observed, do not indicate that the Soviet has revoked any decrees issued repudiating debts and nationalizing property but appear to make an exception in favor of British Nationals, who are holders of bonds and property.

The action of the Executive Council at its spring meeting in adopting a resolution deplored the way in which the United States abrogated the Japanese Immigration Exclusion Act was endorsed by the convention. Mr. Kent reported that expressions of appreciation had come from many Japanese in government, in banking and industry.

A few points of special interest to American bankers in view of the prospective flotation of the German loan under the Dawes plan were stressed. The allied governments agreed with the German government that the experts' plan would be considered as having been put into execution—with minor exceptions as to measures to be taken by the allied governments—after Germany had lived up to the preliminary demands of the plan through appropriate action by the Reichstag in all essential matters and after contracts for the complete subscription of the 800,000,000 mark loan had been concluded. The allies, he pointed out, agree to remit all penalties imposed since the French and Belgians entered the Ruhr, except for crimes committed resulting in death.

German Loan Safeguarded

HE emphasized two provisions, which will tend to give greater security to the German loan investor. On all applications seeking to declare Germany in default in any of its obligations, the Reparations Commission must render a decision thereon. If it is not unanimous, any member of the Commission can appeal to a mixed tribunal, whose decision will be final. The chairman of this arbitral commission must be a citizen of the United States. The allied governments have covenanted to safeguard any specific securities which may be pledged to the service of the German loan, he explained, and have further declared that "they consider the services of the loan as entitled to absolute priority as regards any resources of Germany pledged before or resulting after the imposition of sanctions."

The general convention adopted a resolu-

tion calling upon the American financial interests to adopt a favorable attitude toward loans purposing to restore Germany and other foreign nations to normalcy.

Branch Issue Solved

(Continued from page 194)

municipal parks that make Chicago notable as a great city.

A theater party on Tuesday night added a touch of gaiety to their stay. A theater party for the ladies was staged the next night while the men attended the smoker. The grand ball at the Drake Hotel proved a fitting climax for the social events of the convention.

A mere recital of the fixed events on the entertainment program could in no way indicate the warm hospitality and lavish generosity that marked the reception of the visiting bankers. From the windows of the great business houses and the doors of the great shops, greetings of welcome were extended all over the city. Marshall Field & Company staged a fashion show of surpassing beauty for the visiting ladies. While they watched the chic mannikins parade in the latest creations, tea was served and each guest was presented with three different presents. Other little impromptu events served to make the Chicago convention a memorable event.

Preceding each of the general sessions there was an orchestra concert. A soloist, with a remarkable voice, rendered two or three selections, and the bankers themselves sang heartily a number of the old songs, which were directed by an efficient song leader.

The Condition of Business

Improvement in Business Sentiment Supported by Moderate Expansion. Car Loadings and Bank Debits Continue Close to Normal. Although Commercial Borrowings Are Larger, Money Rates Continue Low. A Turn in the Gold Movement?

BUSINESS in September was characterized by a spirit of conservative optimism and a continuation of production and trade generally at the moderately higher levels reached early in the month. The basis of the more optimistic sentiment was to be found to a large extent in the apparent breaking of the deadlock over German reparations, in the rapid transformation of conditions in the agricultural districts by which the purchasing power of the farmer's dollar was raised to the highest point in about four years, and in the improved outlook for the textile industries. For a long time it had been necessary in making an appraisal of the business situation to put down these three factors on the liability side of the account; and while, of course, it was not to be expected that business would immediately respond to the improved conditions, at least they gave a better tone to business sentiment.

Steel Holds Its Own

IN the main, recent reports of industrial operations and trade activity have borne out the improvement in business sentiment. The moderate gains made between the middle of July and the end of August were at least held during September, while in some cases there were further moderate increases in activity.

Steel mill operations, which had increased gradually from about 40 per cent of capacity in the middle of July to around 55-60 per cent at the end of August, showed very little change during September. Following a continuous decline since February, unfilled orders of the United States Steel Corporation increased slightly in August. Bookings and shipments of the corporation in September were reported considerably better than in August, while the independent companies were running in about the same volume as in August. Except for railroad and fabricated steel business, buying was said to be for immediate needs and represented a moderately heavy rate of actual consumption. Toward the end of the month, the market was unsettled by the abolition of the "Pittsburgh Plus" system of price quotations; and while trade opinion generally expected but little change in prices as a result, buyers were inclined to suspend purchases until the new schedules were definitely established.

Textile Outlook Better

IN the textile industry, mill consumption of cotton increased slightly in August, contrary to the usual seasonal tendency, and woolen mill operations increased for the first time since February. Further resumption of activity by cotton mills was re-

ported during the early part of September, although the improvement in demand was not sufficient apparently to prevent reductions in wages of 10 to 12½ per cent. The sharp rise in raw cotton which followed the Government crop report showing a decline of 360,000 bales in the probable yield between August 16 and September 16 led to advances in the price of cotton goods, and buyers were disinclined to order very far ahead until the size of the crop could be more certainly determined. Even at 12-600,000 bales, however, the yield promised at the middle of September to be about one-fourth larger than the average harvest of the past three years of short crops.

The opening of spring lines of women's wear fabrics by a leading woolen manufacturer at prices (where comparisons are possible) 8 to 14 per cent below those of a year ago was followed by good buying of the more popular fabrics and a few lines were withdrawn, as the season's production had been sold. Men's wear fabrics, which had been opened in August at prices averaging 7 per cent lower than a year ago, were oversold in some lines and were to be distributed on an allotment basis, while on other lines the prices were advanced 5 to 20 cents a yard.

Other Basic Industries

ALTHOUGH bituminous coal mining continues much depressed, weekly output has increased gradually and in the latter part of September was running about one-third above the average rate from the middle of April to the middle of July. In the automobile industry there was a moderate increase in production in August. While the number of workers employed in the factories of Detroit showed very little change during the first three weeks of September, the number of employed only part-time was considerably reduced and, as automobile production follows quite closely the variations in Detroit employment, a slight gain in the daily rate of output might be expected for September.

Distribution of Goods Larger

BEGINNING last March, the volume of railway traffic fell below that of 1923 and during a considerable part of the summer it ran 10 per cent or more under last year's level, due chiefly to smaller loadings of coal, coke and ore. In July and August there was a gradual increase in shipments of merchandise and less-than-carload freight, which under the prevailing policy of "hand-to-mouth" buying gives a good indication of the amount of goods passing into consumption. In the week of September 13 the total of such shipments reached a point higher than ever before. This to-

gether with substantial increases in all other classes of freight raised the grand total in that week slightly higher than last year, for the first time since March, and within about 3 per cent of the largest volume on record.

Perhaps the best single indication of more active business generally is found in the volume of checks drawn against individual bank accounts. Notwithstanding that the general level of prices is substantially lower than a year ago, the volume of check payments outside New York City, in August average about 2 per cent more than in August, 1923, while in September the margin had increased to 5 per cent. Computations made by the Federal Reserve Bank of New York show that both for merchandise car loadings and for bank debits outside New York City, the monthly totals during the summer held very close to the amounts which might normally have been expected, having in mind the usual seasonal variations shown by past years and the normal year to year growth. It is apparent that the bulk of the country's business activities have varied far less than indicated by changes in some of the widely fluctuating individual basic lines.

Commercial Credit Enlarged

THE moderate increase in business activity recently has been accompanied by some expansion in the volume of credit extended by banks which report their condition weekly to the Federal Reserve Banks. In the New York district loans made largely for commercial, industrial and agricultural purposes by reporting banks showed some reduction during August, accompanying a moderate movement of funds to the interior apparently in response to fall agricultural needs; but in the first two weeks of September there was a recovery to approximately the average level for August. In other districts commercial loans tended steadily upward during this period, so that at the middle of September the total for all districts was up about \$200,000,000 since the end of July to almost the level reached last April.

An additional indication of the increased demand for business funds is found in the volume of commercial paper sold in the open market. After declining steadily between the first of April and the end of May, the volume of paper outstanding through twenty-six dealers who report to the Federal Reserve Bank of New York turned upward, and by the end of August the total had risen \$50,000,000 to the highest point since December, 1920. As is usual during periods of easy money, the open market interest rate has for some time ranged considerably below the line of credit rates of banks to their own customers, and this situation has



Moving nearly half of the whole world's gold. Scene showing an army of guards observing the transfer of gold from the old to the new Federal Reserve Bank vaults in New York

tended to increase the proportion of financing done through the open market. The recent increase in the supply of paper appeared to reflect largely seasonal borrowing by the flour mills, grain dealers, and a few other lines. During September many dealers reported a somewhat reduced demand for funds.

Money Generally Easy

IN the money market the moderate increase in business activity and the usual seasonal requirements of agriculture were reflected in a slightly firmer tendency during the latter part of August and the early part of September. Treasury operations on September 15, however, resulted in a temporary recurrence of very easy money conditions. On that day the Treasury disbursements in the New York market for maturing notes, Liberty bond interest, and miscellaneous items were greatly in excess of collections, leaving in the market a temporary excess of funds which for a time overshadowed the increased demands for commercial and agricultural funds. As the collection of tax checks continued and funds were redistributed throughout the country by transfers, the slack was taken up and toward the end of September rates became slightly firmer again. The prevailing open market rate on prime 4-6 months' commercial paper was 3½ per cent as against 3-3¼ per cent during part of August, and 90 day bankers' bills were offered at 2½-2¾ per cent compared with 2 per cent in August. That a considerable expansion in commercial and agricultural loans could have occurred with only a fractional advance in interest rates testifies to the abundant supply of credit which is available. A factor which has contributed to the easy money conditions has been the increase in the volume of Reserve Bank credit to the highest point since last spring, a decline in rediscounts and advances to the lowest point for the year being well overbalanced by further increases in holdings of acceptances and Government securities bought in the open market.

Easier money conditions after September 15 were accompanied by increased activity and strength in the bond market. Representative averages of corporation bonds recovered more than half the loss sustained during the period of firmer money conditions in August. Liberty bonds likewise advanced and the Treasury 4½s reached a new record price of 106 7/32. In the stock market, industrial and railroad price averages regained most of the ground lost early in the month.

New security offerings continued in large volume and found a ready market. In the case of some state and municipal issues, prices paid were the highest in recent years. Foreign financing was particularly heavy, the total of \$170,000,000 for the first four weeks of September bringing the aggregate since July 1 to about \$360,000,000, or only slightly below the total for the entire first six months of the year. Domestic corporation financing also continued large, due mainly to public utility and railway issues.

Turn in Gold Flow?

GOLD imports in August amounting to \$18,000,000 were the smallest this year, and as exports increased to over \$2,000,000 the import balance for the month was reduced to \$16,000,000, the smallest since April, 1923. During the first four weeks of September figures for the Port of New York alone indicated imports of only \$559,000,000 as against exports of \$2,600,000, the first excess of gold exports at this port since 1920.

The recent decline in imports of gold reflects in part a falling off in the shipments from England. A much increased proportion of the South African gold output has been diverted to India, and Indian buying has likewise largely accounted for the increase in exports from this country. Other factors which appear to have contributed to the reduced gold imports have been the increase in foreign financing in this market, comparatively low short time money rates here, a continued large return flow

of United States currency from circulation abroad, and a growing capacity of European countries for the absorption of gold as their finances become stabilized.

Railroads Buying Again

AFTER a period of very small purchases from May to July, a substantial revival of buying of railway equipment started in August and continued through September, and appears to have contributed largely to the recent expansion in steel mill activity. Domestic orders for freight cars in September totaling 23,000 have been exceeded in only two months since 1922, and the total for the first nine months of the year equalled the total for all of 1923. In addition to deliveries against orders previously placed, rail mills are reported to have booked a substantial volume of orders for rails and track fastenings in August and September.

Building Continues Active

AFTER declining steadily between April and July, the F. W. Dodge Corporation's figures of building contracts awarded in thirty-six states increased 3 per cent in August, due chiefly to increases in New York City and the Middle West. As in July, the total was about 10 per cent below the average monthly level for the first half of the year, substantial decreases in residential and commercial construction being only partially offset by moderate increases in public works and utilities.

Although the contract totals in recent months have been smaller than earlier in the year, the downward movement since May in all reporting districts has been less rapid than in 1923, and accordingly the margin of increase over a year ago has become larger, rising in August to 19 per cent. In the New York district, however, the margin of gain shown by the contract figures has remained practically unchanged since June at a level 6 to 8 per cent higher than a year ago; and in the case of build-

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The Revenue Act and Fiduciary Business

By JAMES DUNN, JR.

Vice President, Union Trust Company, Cleveland

If Inheritance Taxes Run Rampant They Will Affect Capital Available for Progress. Several States Increase Rates Every Time Legislature Meets. Donor Taxed on Revocable Trusts. Testing the Gift Tax Which Lessens Incomes of Institutions.

ANYONE mingling with various groups of individuals cannot doubt the statement that the matter of taxation today is one permanently in the minds of all business men. So many different angles of the tax laws by the state or nation wedge their way into business activities that it is a requirement and almost a necessity for active officers to be, at least, generally in touch with the tax laws.

In other words, it is highly advisable to have a general knowledge of the trend of the provisions of the laws in order to quell as much as possible the fear that is growing in the public mind. There is no better place for this knowledge to be acquired than in a trust company, for the reason that the confidence of the public in officers of a trust company is far in excess of that in any other agency. This is quite evident when you consider the many customers that have asked you confidential questions—questions, I dare say, that in some instances would not be asked of their immediate family, relatives or even attorneys. No more confidential relationship exists in a business way than that resulting from the inquiries made to a trust company on account of taxes; especially is this true of inheritance taxes, estate taxes and income taxes.

Need for Uniformity

IN the case of inheritance taxes, even taxing officials are beginning to realize that they are reaching the point where some action should be taken for uniform laws. This was brought strongly to my mind while attending the National Tax Association Convention at St. Louis, where a serious discussion was given the subject under the able leadership of Prof. Wm. B. Belknap, of the University of Louisville, and which was participated in by representatives from forty states, the Dominion of Canada, Porto Rico and the District of Columbia.

A great need at this time is to establish a uniform rule, either by taxing securities in the state of domicile and real estate in the state of location, or by allowing credit of taxes exacted by a foreign state against the taxes levied by a state in which the decedent lived, or by some other method to prevent the rapidly growing increased taxes of the various states. This might

be serious even today, on account of the multiplicity or pyramiding of taxes, as it is a probability that these taxes could amount to much more than 100 per cent of the estate.

On this account the wise business man is depending upon responsible banking institutions to advise him in the many problems pertaining to the disposition of his estate, and especially to minimize cares of taxation as much as possible. Fiduciaries in this manner render valuable service, by being able to assure their clients that proper reports for state taxes, inheritance taxes and gift taxes will be made through the trust department, and that the interests of the donor will be protected fully at all points. Protection of this kind against the dissipation or confiscation of funds is offered to all alike, and the public in general is beginning to appreciate the effort extended in their behalf.

The High Death Taxes

AS for death taxes—as inheritance taxes are generally designated—they are without question a tax upon capital, and, if allowed to run rampant, of course will affect capital available for progress and ultimately react detrimentally on those who, not having to pay taxes themselves at the present time, do not realize that taxes require attention. The very fact that there are high exemptions or low rates seems to hypnotize or put to sleep a large majority of our people until the law, having established its foundation, begins to demand revenue for the political structure and lowers the exemption and increases the rate. The sleepers then begin to sit up and take notice; but the law having been established, they have no remedy.

This is shown in the Federal estate tax which started in 1916 with a maximum of 10 per cent, while under the present law it has been increased to a maximum of 40 per cent. In the case of the income tax, which was originated in 1913, the exemption for a married man was \$4,000 with a maximum surtax of 6 per cent, while under the present law a married man's exemption is but \$2,500 with a maximum normal tax of 6 per cent and surtax of 40 per cent. Several of the states are following this same thought by increasing their rates every time the legislature meets. In St. Louis the fact was discussed that the Federal gov-

ernment allows a 25 per cent credit against estate taxes for inheritance taxes paid in states, provided the credit is not in excess of 25 per cent of the Federal estate tax. Several of the state representatives said: "At the next legislature we will increase our inheritance tax in order to take advantage of the 25 per cent saved in estate tax." Therefore, we have the gift tax which comes to us in an unassuming manner and which only a few feel will be a burden to them personally; but once established, a reduction in the exemptions and increase in the rates will again arouse us from a sense of apathy to a realization of the fact that an injustice has been done.

Revocable Trusts Taxed to Donor

UNDER the new law, the requirement is that the income of a revocable trust, even though payable to another beneficiary, must be included in the income of the donor. It is a reflection, more or less, upon trust companies, in that it assumes all revocable trusts were created for the purpose of avoiding taxes. There are legitimate reasons for the creation of revocable trusts where taxes are not involved, and it is this class of business that trust companies have been educating people to take advantage of. And due to the fact that honest business methods are used and are the basis for creating such trusts, it would appear that the trust companies themselves should be willing to go out before the public and declare what their practice has been, in order that the public mind may be clarified as to their intent. Insinuation against trust companies as a whole, when there might only be a few isolated cases of error, should be corrected, as the confidence of the people in trust companies should be extended to law makers. The new law provides that in the making of a revocable trust the donor must pay a gift tax when the income is payable to another beneficiary, to the extent of the income given, and not on the principal from which the income is derived. It can be seen from this situation that the creator of a revocable trust has an income tax and a gift tax to pay on the same items, or a double taxation.

Another example of double taxation is experienced in the case of the gift tax, which requires that any property given

must take value as of the date of gift, and the gift tax paid thereon. If the donee then sells the property received, it becomes necessary for him to pay a tax on the difference between the basis of cost to the original donor and the selling price, whereas a gift tax on the profit up to the time of the gift had already been paid by the donor—another case of double taxation.

Some Possible Relief

IT might be noted that in Section 219 (g) of the new law—referring to these revocable trusts—it states—

"Where the grantor of a trust has at any time during the taxable year either alone or in conjunction with any person not a beneficiary of the trust"

and that there is some question or interesting reflection that can be had as to what is meant by "during the taxable year." It would seem to relieve from this requirement revocable trusts created prior to 1924. The term "in conjunction with any person not a beneficiary of the trust," simply refers to the fact that if it was necessary for the beneficiary to join in the revocation of a trust, then it would be irrevocable and not a revocable trust. This is also interestingly followed in Section 204 (a) 3, which applies when property is sold—

"The basis shall be the same as it would be in the hands of the grantor increased in the amount of gain or decreased in the amount of loss recognized to the grantor upon such transfer."

This section then refers to subdivisions c, d or f of Section 302, which designates property to be included in the gross estate of a decedent. Washington interprets the expression "increase in the amount of gain or decrease in the amount of loss" as referring only to property subject to depreciation or depletion, as indicated by the heading, and as covering depreciation or depletion and recognized by the Department in previous years.

However, Par. 4 of Section 204 states—

"If the property was acquired by gift or transfer in trust on or before December 31, 1920, the basis shall be the fair market value of such property at the time of such acquisition"

but no reference is made to Section 302 as in the previous paragraph. This would again seem to imply that even a revocable trust, made prior to December 31, 1920, has as a basis of cost for sale of any of its capital assets the value at the date of transfer instead of the cost to the creator of the trust.

THE new provision brought out in the law for a gift tax, I believe, will be defeated in the courts, and I especially feel that the Frick case has a bearing upon the retroactive feature of this new provision. However, until the test is made the requirements must be lived up to, and all gifts aggregating \$50,000 or over, within the year 1924, exclusive of charitable organizations, must be reported to the government by March 15, 1925, at which time tax is to be paid, based upon the same rate as the estate tax with a maximum of 40 per cent. This is a very unfair tax, for the reason that it is going to affect charitable organizations, churches, hospitals, community funds, etc., which receive donations from large contributors; for the reason that such a contributor, if he has to pay a tax upon what he gives his own children to set them up in business, or what

he gives to his wife or relatives, is naturally going to resent the giving away to others, even though no tax is due; or he will reduce such donations by the extent of his taxes, which as I have shown before, may greatly increase if once established.

Take, for example, a man who has built up a business from the beginning into a very prosperous corporation in which he owns all or mostly all of the stock and in which there have also grown up with him sons, who have become factors in the organization. In the case of his desire to properly remunerate his sons, giving them the interest they are entitled to, it becomes necessary to pay a considerable gift tax; and especially would this example apply in the case of his death, where it would be necessary, if the business had reached a capital investment of \$1,000,000 or more, to sell a large portion of the stock in this corporation, in order to obtain cash to pay the large estate tax due. In this case, the result might be that, after all the years of development, control could be lost to outside interests.

There is no doubt in my mind but that the high taxes upon large estates are due to the fact that greater income to the taxing power is arrived at, for the reason that the percentage of gain is very large and easily administered. As Under-Secretary of Treasury Winston brought out in his remarks at St. Louis, "An estate of \$10,000,000 net yields \$2,561,000 federal estate tax, while 100 estates of \$100,000 each yield an aggregate tax of only \$150,000. It would take more than 1700 estates of \$100,000 each, aggregating over \$170,000,000, to produce the same amount of revenue as one \$10,000,000 estate."

In fact, he stated that the revenue would be greater under a maximum of 25 per cent than they will receive under the present maximum of 40 per cent. All of these points are particularly interesting and are daily problems in the trust departments of our banking institutions. Do not forget that while gifts to charitable organizations are free from taxation, gifts made to individuals, no matter how needy, are subject to tax, even though the gifts may be of a charitable nature and the purpose in making them most laudable.

Liquidating Investment Companies

AS to the income taxes, there was brought out in my article in the AMERICAN BANKERS' ASSOCIATION JOURNAL in July, 1924, the capital net gain and capital net loss provision as well as the opportunity for so-called investment companies to now liquidate on a basis of 12½ per cent of their profit. Attention was also called to the new provision of the 25 per cent credit on account of earned income, which is a very complicated provision of the law and which can benefit taxpayers only to a maximum of \$75, and in most cases all will receive a credit of \$12.50. The law relative to the 25 per cent credit on account of earned net income applies if it is not in excess of 25 per cent of tax otherwise payable. In other words, if it is a net loss which reduces the net income less than the earned net income, then 25 per cent allowance is reduced and the credit only applies

against normal and surtax and not against the 12½ per cent tax on account of net gain.

One of the serious effects of the new income tax law will result from the publicity features, as under the new law it is required that the name, address and the amount of tax paid by taxpayers shall be posted for public inspection. In addition to this, committees of Congress have the privilege of securing the returns of any individual or corporation for investigation, and in that manner can bring before Congress the reports in question, at which time they become public property in every detail. In addition to this, the new Board of Tax Appeals is required in all cases involving more than \$10,000 to publicly print full record of the proceedings of the case. You can readily realize the great danger that can come from various sources on account of such a privilege.

Several individuals incorporated their personal holdings and did not give any attention to the 25 per cent penalty on account of holding companies, because, especially in the case of dividends, no taxable net income was received by the corporation and therefore surtaxes were avoided. Under the new law, the penalty has been placed at 50 per cent upon the entire net income, which includes not only the taxable net income but also the revenue derived from dividends, U. S. bonds, etc. This makes it impossible to continue as such a corporation, but the stockholders have the privilege of liquidating, which should be done at once, and paying the 12½ per cent upon the profit derived, which is far better than the old provision of applying the normal and surtax upon the profit.

All of these income tax questions, if only in a general way, come to bankers from their customers; and inasmuch as bankers are, undoubtedly, often instrumental in helping customers make their investments they are naturally looked to for advice in meeting the requirements of the income tax law; especially is this true when the law applies to the sale of securities or property, credit situation or distribution of holdings, problems involving the withholding of tax on account of coupon interest, the requirements of the safety box department in the case of death of the box holder and various items of this kind.

Louisiana Goes Over the Top

LOUISIANA has reached the high-water mark in membership in the American Bankers Association. Out of 348 eligible banks in the state, 300 have become members of the Association. This increase entitles Louisiana to a second representative on the Executive Council and thus greater participation in the affairs of the organization.

The membership drive, which sent Louisiana over the top, was directed by Ben Johnson, president of the Commercial National Bank of Louisiana, who was chairman of the membership committee for the state.

By bringing its totals up to the 300-mark, Louisiana is crowding Nevada and Florida closely. In these two states every bank is a member of the Association.

What Proportion on Real Estate?

BY THOMAS M. STEELE

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Things to be Considered in Determining the Proportion of Loanable Funds a National Bank May Lend Upon Real Estate Security and the Practicability of Maintaining a Definite Ratio Between Real Estate Loans and Investments in Other Securities.

TO the banker who had his training and experience prior to 1914, the idea of expanding the mortgage loan business in national banks has come as something of a shock. But the Federal Reserve Act was drawn after many years of patient study and it definitely encourages real estate loans. To be sure, such loans are hedged about with rather severe restrictions, and these restrictions are such that in many states free competition by national banks with state institutions along these lines is still impracticable; but it must be recognized that to many minds the permission to make real estate loans under any conditions whatever seems radical and the limitations which were imposed were essential to secure support for the proposal to make such loans permissible at all. The McFadden Bill, sponsored by Comptroller Dawes, aims to relax some of these restrictions and to make such competition easier.

Prior to the adoption of the Federal Reserve Act, national banks were not, of course, permitted to make loans on real estate security at all. There were various ways in which, in special cases, the law was evaded; but the sum total of such loans in any given bank was generally so small that the evasion was negligible.

Even in the states whose laws permitted commercial banks organized under the laws of such states to make mortgage loans, most commercial banks, except in the rural districts, preferred to avoid them, and for reasons somewhat as follows:

Mortgage loans must be made for comparatively long periods, otherwise they are of no real help to the borrower. In the rural districts, farmers must often borrow to finance their year's crops and often they have nothing except their real estate to offer for security. Under the old order such mortgage loans had little or no place in a commercial bank. They belonged to savings banks or trust companies or to commercial banks which maintained separate savings departments in which deposits were not subject to check. They entirely lacked the liquidity theoretically required for commercial loans and for second line reserves, and they lacked the ready salability which theoretically made high grade railroad bonds, for example, seem to many so very desirable as a bank's third line of reserves.

Were the Objections Sound?

AS a matter of fact, it now seems doubtful whether these objections to mortgage loans were ever entirely sound. Grant-

ing that they lacked liquidity, it is probable that there has never been a time when well managed banks might not have invested substantial portions of their so-called third line of reserves in first class mortgages. It is pretty generally recognized by economists of the present day that, in spite of tradition, long term corporate bonds do not make good reserves. In the first place, if they have to be sold at all it is generally at a time when they can be sold only at a sacrifice. It is notorious that commercial banks in America, as a class, have consistently lost money on their bond investments, though this does not, of course, apply to all banks, particularly to those large enough to maintain separate and well organized bond departments. In the next place, if bonds must be sold to raise cash in times of stress, the money to buy them must come from banks somewhere. In the event that they happen to be bought by the selling bank's own depositors the only change in the situation, for the selling bank, is the loss which is realized. It has no more money than it had before. If they are bought by the customers of other banks the selling bank may be temporarily put in funds, but the general situation is not improved and the very fact of selling may help to make it worse. In actual practice, therefore, there never was a great deal of use made of these so-called reserves. Their limitations were recognized in practice and they were never used except in extremities. They were called reserves but they were treated as investments and as such they were generally found unprofitable.

On the other hand, it is altogether probable that had it been possible or customary in the past for commercial banks to invest in first mortgages on local property, under constant observation, a portion of the reserve funds which they have so freely invested in securities of corporations in distant localities about which they could know practically nothing, the net result would have been a decided lessening of loss, for it is a well recognized fact that, so far as safety of principal goes, no other security has ever been devised equal to a well selected first mortgage on real estate.

With the coming into force of the Federal Reserve Act, a totally new situation for the national banks was created overnight. It is no longer necessary, even theoretically, that sound banks shall carry a third line of reserves in the sense that a line of bond investments was formerly carried. The borrowing and rediscounting privileges which every member of the Fed-

eral System now enjoys is superior in every way to the old systems and theories of reserves. It is probably desirable still that some high grade bonds be carried which could be used in a temporary emergency as collateral for temporary loans from other banks, but such bonds can now be carried as permanent investments without any idea of realizing upon them through sale. They do not need to be sold when prices are low and they can be bought and held primarily as investments and selected for their investment values.

If Nationals Were to Compete

IN drafting the Federal Reserve Act it was recognized that, if the national banks were to be permitted to compete on equal terms with state banks the restrictions on real estate loans must be, in part at least, removed, the need for such removal being made even more clear by the fact that a large and constantly growing number of the national banks were operating savings departments receiving time deposits; and, while the law made no provision for segregating the funds of savings departments from commercial departments there was underlying our whole financial and economic structure the thought that there was a natural relationship between savings and real estate loans. Accordingly, after some amendments, the Federal Reserve Act today permits national banks to loan on the security of real estate with the following definite limitations: Real estate loans cannot be made by banks in central reserve cities. Loans must be secured by first mortgages and in amounts not exceeding 50 per cent of the appraised value of the real estate. They must, in the case of land other than farm land, be secured by property within 100 miles of the banking house; and, in the case of farm lands, must be either within 100 miles of the banking house or else within the same Federal Reserve District. Loans may be made on farm lands for five years and on other lands for one year; although they may be renewed, provided that there is no agreement for renewal at the time the loan is placed. Lastly, the aggregate amount of such loans must not exceed one-third of the time deposits of the bank, or one-fourth its capital and surplus, whichever limit the bank may elect to observe. We have here then a definite upper limit beyond which a bank cannot legally go if it will.

How far within this limit will conservative and safe banking permit us to go? Is it possible to establish any working ratio,

recognizing, as we must, that in any such ratio it is idle to talk of a hard and fast rule and that the course of business necessarily must cause constant fluctuation. I believe that some such ratio is practicable and desirable for every separate institution, but I am equally certain that no upper limit can be placed which will fit all institutions alike.

Conservative bankers, prior to the adoption of the Federal Reserve Act, had come to recognize that, so far as it was practical to adopt any formula, the loanable funds of a bank should be distributed approximately on the basis of 60 per cent in commercial loans to customers, 20 per cent in high grade investment bonds and 20 per cent in high grade commercial paper and short term bonds. The 20 per cent in commercial paper and short term bonds kept a constant stream of liquid funds flowing into the bank which could be availed of during any period when the demand for loans was abnormally high and the 20 per cent of high grade investment bonds could theoretically be sold at any time to raise cash when any sudden and unusual emergency arose. Theoretically, the 60 per cent of commercial loans was always liquid, although no banker needs to be told what a fallacy this is in practice.

Definite Rule for Mortgages

I DO not mean to say that any given bank ever actually adopted and followed any such rigid formula as above suggested, but some such division as that indicated was pretty generally approved by practical bankers and by economists alike and did furnish a rough guide in practice. If this pretty generally accepted rule of investing 20 per cent of loanable funds in high grade bonds was a sound rule, it is equally sound for any given bank to establish a more or less definite rule for mortgages. If the conclusions above stated as to the inadvisability of bonds as a salable reserve is sound, and if the rediscounting and borrowing provisions of the Federal Reserve Act are sound, as the experience of the country in the trying years from 1914 to 1922 have led most of us to believe, then it is not too much to say that a bank which, roughly speaking, kept such a 20 per cent reserve prior to 1914, might now with entire propriety keep invested at least one-half of this amount, or 10 per cent of its loanable funds, in high grade first mortgages on real estate. If at first sight it seems unwise to convert one-half of our readily salable bonds into long term and non-liquid investments like mortgages, we must remember, apart from all other considerations that the Federal Reserve Act, through the rediscounting privilege, has made a large part of our commercial loans far more liquid than ever before and that our average liquidity would be improved even with this amount of mortgages. Whether such proportion would be legal in any given institution depends, of course, upon the amount of time deposits and the amount of capital and surplus in the particular bank. In our own institution our capital and surplus is about \$2,250,000. If we elected to be governed by this we could loan only about \$560,000 in mortgages. Our time

deposits, however, are about \$7,000,000 and, measured by this standard, our mortgage loans could legally amount to about two and one-third millions. Our loanable funds are about \$16,000,000 and the 10 per cent ratio which I have suggested, appears, therefore, to fall about half way between these two alternative limits.

It must, of course, be perfectly obvious that no such rule would fit every bank. In many communities, and particularly throughout the East, mutual savings banks can take care of a large part of the real estate loans. It is to be noted, too, that these banks ordinarily take what may be called the cream of the business. They are not operated for profit. Their overhead is low. There are no stockholders calling for dividends. There is no keen competition for business constantly calling for additional expense in advertising and in service rendered, and they can accordingly loan at cheaper rates and can pick and choose their loans to an extent which is impossible with commercial banks. On the other hand, commercial banks must not forget that in establishing and maintaining savings departments in those communities where there are mutual savings banks, they have diverted from the mutual savings banks millions of dollars in savings which normally would have been available for real estate loans.

In other parts of the country the mutual savings bank is, to all intents and purposes, unknown. In many of these localities the commercial banks are the sole local source of supply outside of individuals. In such localities the commercial bank must necessarily supply the place which the mutual savings bank supplies in the East and it is probable that a distinctly higher ratio than 10 per cent must be the rule. In rural communities, however, and in the small cities everywhere security for loans other than in the form of real estate is comparatively rare.

The Doctors Disagree

TO attempt to get any help from the statutes of the various states which have legislated on this topic is utterly futile. A study of these statutes leads to only one clear conclusion and that is that the doctors do most sadly disagree and that it is left for the practical bankers to write their own prescriptions within very arbitrary but widely varying limitations. In my own state, Connecticut, a state bank may loan on real estate as much as it pleases and regardless of prior liens. The only restriction is that set up by its loaning officers. In Minnesota, on the other hand, where the need for real estate loans in rural communities must be far greater and where there are only one-tenth as many savings banks as in Connecticut, a commercial bank can loan no more than 25 per cent of its capital and surplus, utterly regardless of the amount of its deposits. In Pennsylvania, a state bank may loan on first mortgages on real estate up to the total amount of its time deposits plus 25 per cent of its capital and surplus and undivided profits; while in New York State, where business and social conditions are essentially the same, a state commercial bank may not loan directly upon real estate at all. In Missouri, state commercial banks are per-

mitted to loan as much as they please upon first mortgage security; while in Georgia 25 per cent of capital and surplus is the limit and the State Banking Department distinctly discourages the making of any such loans. Selecting one more out of many similar contrasts, Wisconsin prohibits any state bank from making loans secured by mortgages on property outside of the state, whereas in Rhode Island the law permits savings banks and trust companies to loan not exceeding 70 per cent of their savings deposits on real estate security, but provides that not more than 30 per cent of this authorized amount shall be on Rhode Island real estate. Unless there is some peculiarly valuable quality in Wisconsin land or unless for some unrevealed reason Rhode Island real estate is a thing to keep away from, there is certainly a bad flaw somewhere in the reasoning of either the Wisconsin or the Rhode Island Legislature.

Bankers Not In Accord

IT appears to be equally true that practical bankers are no more nearly in accord than are the law makers. For example, the head of one national bank in Connecticut states that he has no confidence in mortgages and believes that they are a poor banking investment, while the head of another national bank, equally well regarded for safety and conservatism, tells me that his bank carries at the present time about 27 per cent of its time deposits in first mortgages.

I think that we can agree that national banks have, to a certain extent, failed to appreciate and to take advantage of this essentially new field of business which has been open to them since the adoption of the Federal Reserve Act; that this new business is essentially safe; that the security obtainable is high; that the accommodation to customers is very considerable and that the profit is substantial. I believe also that banks loaning a fair proportion of their funds upon real estate mortgages are performing a distinct public service, both in turning back savings of the people into what may be considered their natural channels and in helping to keep down the high interest rates charged by individual money lenders which tend to prevail when banking accommodation is not obtainable.

The exact proportion of such loans whether to time deposits or to total deposits, or to capital and surplus or to other investments must, however, be determined by every bank for itself, the upper limit being fixed by law. I cannot believe, however, that any bank which confines itself to 10 per cent of its total deposits, provided, of course, that it is within the 30 per cent of its time deposits which the law permits, will run nearly as much risk of the ultimate loss of principal or interest as it does in its everyday commercial loans. Even with this amount of mortgages the rediscount privilege on commercial loans will leave the average bank in much more liquid condition than it was before the Federal Reserve Act with no mortgages, and I believe the return is bound to be higher as well as safer than from the ordinary return from corporate bonds, and fully equal to that from ordinary commercial loans.

Nation Gains 29 Clearing Houses

Country Bankers Regard With Favor the Installation of Credit Bureaus to Prevent Duplicate Borrowing. Examiner System is Being Extended. Section to Undertake Analysis of Accounts to Determine Costs of Services Rendered to Depositors.

THE strides made by the Clearing House Section during the past year justify the assertion that it has been "one of the most successful years," Francis Coates, Jr., President of the section, declared in his annual address. "The results attained have exceeded our expectations," he said.

"Our primary object has been to bring about closer cooperation among the bankers of our smaller cities and towns in an effort to further strengthen the banking structure of the country, and there is no agency whereby this can be better accomplished than the local clearing house association.

"One year ago we reported a total of 337 clearing house associations. This year the number has been increased to 362, a gain of 29 since Sept. 1, 1923. Included in this number is the Four-City Clearing House Association organized in the state of Connecticut by the bankers in the towns of Derby, Shelton, Seymour and Ansonia.

"Special efforts were made this year by our Committee on Credit Bureaus to install such bureaus in a number of clearing houses and also in connection with our county bankers associations. The work of this committee has been quite successful. Bureaus of Credit have been installed in five clearing house associations; Indianapolis, Chattanooga, Mobile, Allentown, Pa. and Camden, N. J., and one County Association, the Jasper County Bankers Association of Missouri.

"Keen interest is being manifested by the bankers in at least twenty cities that expect to have bureaus operating in connection with their local clearing house associations.

"In the states of Missouri, Kansas, Iowa, Minnesota, Wisconsin and Virginia the country banker is just beginning to realize the merits of this proposition and the help it will be to him. We are looking for favorable results in the establishment of a number of county credit bureaus during the coming year. I am assured that the twenty-eight banks in Grant County, Wisconsin, will probably vote for the establishment of a County Bureau at their next meeting, and a strong effort is being made to install also a County

Clearing House Examiner. The Virginia Bankers Association has taken a long step forward in this movement, by appointing a special committee on Credit Bureaus. This committee is distributing pamphlets to all Virginia bankers, outlining the operation of a bureau along simple lines and recommending its installation in every city or in every county. The movement will be pressed from now on, with the idea of establishing a state-wide chain of Bureaus, whereby a broad credit service will be made

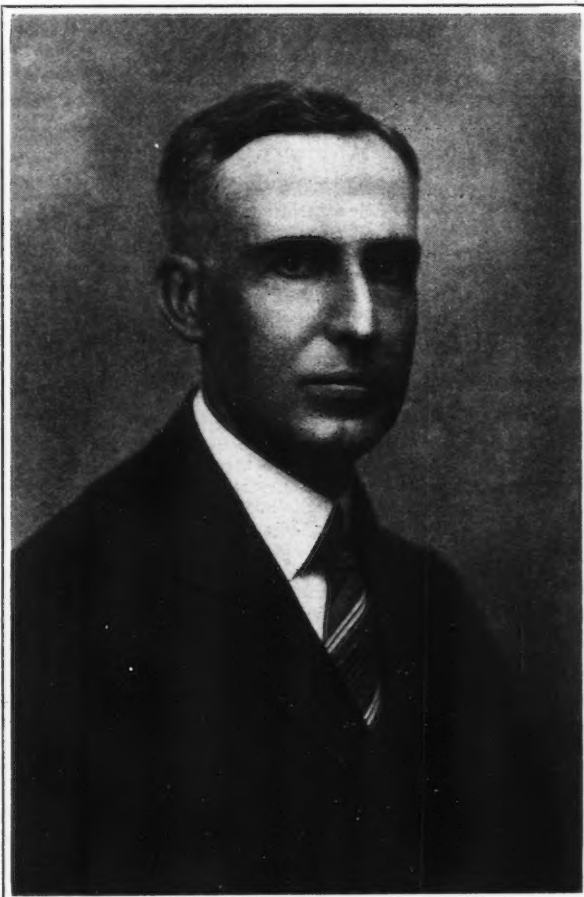
available to each and every bank member.

"THE Clearing House Examiner System is, I believe, commanding greater interest than ever before. Definite assurances have been given by six clearing house associations that they will have such a department installed before the close of this association year, as they realize that such a safeguard is of benefit not only to their member banks but to their community. This is most encouraging, and with the

adoption of this System of Examination by a number of clearing houses in our smaller cities, or in counties, I feel it will be a question of only a short time until every possible clearing house community will feel compelled to operate such a department.

"In furtherance of the movement, our Section arranged to have its Secretary, Don A. Mullen, make a trip through some of the southern states during January and February of this year in order to meet with, and discuss, the details of the operation of such a system, its merits, its cost, etc., and supply any further desired details. He met with the bankers in Atlanta, Chattanooga, Savannah, Columbia, S. C., Jacksonville, Tampa, Mobile, Dallas, Fort Worth, Houston, San Antonio, Hot Springs, Little Rock and Memphis. He was assisted in his work at the various points by the Clearing House Examiners of Montgomery, New Orleans and Oklahoma City, whose services were kindly contributed by their respective Associations. The results were most gratifying and also illuminating. The proposition was enthusiastically received in every instance, the meetings were attended by practically all of the bank officers in each of the various cities, and we feel that the seed we have thus sown will bear good fruit in the very near future. It has also convinced us that personal contact is necessary in order to comprehensively set forth the proposition, as there are so many points of difficult contact that cannot be covered by letter or pamphlet.

"We hope the bankers of the country generally will see in this System of Examination a real



CARL WILLIAM ALLENDOERFER

the newly elected President of the Clearing House Section of the American Bankers Association, is vice-president of the First National Bank, Kansas City, Mo. He was born in Corlinville, Ill., in 1880. In 1898 he became bookkeeper in the First National Bank, Concordia, Kan., and in 1901 auditor and assistant cashier of the American National Bank, Kansas City. In 1907 he entered his present position. He resides in Kansas City, Mo.

protection against the heavy losses which occur from time to time.

"The subject of expense of handling small checking accounts is of particular interest. During the past two years, sixty clearing house associations have adopted a rule advocating such a charge, and from the reports received, it has been instrumental in cutting down the losses accruing to the banks through carrying many unprofitable accounts.

Analysis of Accounts

"IN order to be of greater service to the bankers not only in our clearing house centers, but in the small communities as well, our section will this year begin a new and important work which we hope may have a far-reaching effect in introducing better banking and accounting methods. It is a matter of common knowledge, especially among city bankers, who have learned the lesson by experience, that often unwise competition and some times mere carelessness have permitted many individual depositors to exact service from their banks for which they do not pay either directly or indirectly. Drafts are permitted against uncollected funds, interest is paid upon outstanding items in process of collection, checks and other collection items are deposited in large numbers without any regard to the amount of balance carried—these are only a few of the very common excesses which result in both direct and indirect losses to banks.

"The only way in which these abuses and unwise practices can be recognized and avoided is by an analysis of accounts. This is a phase of banking with which many country bankers are not familiar, and thus far little has been done by the American Bankers Association to help with the problem, although certain of the state associations have prepared forms and explanatory literature on the subject.

"At the Spring Meeting of the Executive Council, a sub-committee was appointed to draw up forms and prepare pamphlets, the purpose of which will be not only to show the need for such analysis, but also to explain how it may be accomplished with little effort. Your Committee has approved the report of this committee, and the work during the coming year will consist of the preparation of material and its distribution to the country banks through state associations, groups, and every other possible agency. It might be well at this time to point out that this new work which the Section is undertaking is for the interest of banking in general. Members of the American Bankers Association not in touch with the work of the Section at times seem to be under the impression that our activities are confined to city banks and to purely clearing house problems. Such valued achievements as the Universal Numerical System, the No-Protest Symbol Plan, Credit Bureau idea, Clearing House Examiner System, Bank Auditors Conference, and now the Analysis of Accounts, are examples of the valuable aid which the Section is at all times giving to the banks of the country.

"THE annual conference of Clearing House Examiners and Managers proved to be the best conference we have ever held. Papers were prepared by a

number of Clearing House Examiners on subjects which were the basis for a general discussion pertaining to the Clearing House Examiner System, namely:

The Clearing House examination as a preventive or constructive agency.

The operation of the Clearing House Examiner in a small banking community.

Ratio of bank capitalization to deposit liability.

Methods of handling "safekeeping" by banks and the best way of examining this department.

To what extent should Clearing House Examiners act, cooperate and confer with the representatives of the Comptroller of the Currency, the Federal Reserve banks and the State Superintendents of Banks?

Getting the most out of Clearing House Bureaus of Credit and reports of commercial agencies in conjunction with examinations.

Possibility of cooperative marketing being conducted through Clearing Houses in small communities, to aid the farmer and benefit banking conditions.

The Clearing House Examiner's relationship to the Clearing House Committee.

What an Examiner should be.

Values.

Some reasons for installing the Clearing House Examiner System.

To what extent may credit investigations be extended outside of the bank under examination?

Effective methods for making a simultaneous examination and verification of main offices and branches of a bank doing a branch bank business.

Examinations of National banks by Clearing House Examiners to be accepted by the Comptroller of the Currency, in lieu of examinations made by committees of boards of directors.

The comparative value of indorsements, guaranties and suretyship contracts on loans and lines of credit.

"The addresses will be put in pamphlet form within the next few weeks.

Bank Auditors Conference

"THE Bank Auditors Conference, which was held in conjunction with our Section activities, proved to be a truly wonderful meeting. Representatives from banks in fifty-one cities were present. We were honored by having with us five Chief National Bank examiners, representatives of the Comptroller of the Currency, the Commissioners of banking from eight states, and the auditors and comptrollers from eight Federal Reserve banks.

"The constructive work accomplished so far by auditors' organizations in the cities of Chicago, Kansas City, Milwaukee, Seattle, and in the states of Ohio and California, was outlined, and plans were laid to line up similar organizations in all of our large cities, eventually welding them into state associations and finally a National organization. Frankly, I believe this is one of the most beneficial moves ever instituted by a section of the Association in an effort to raise the standard of bank auditing and accounting in our banking institutions.

No-Protest Symbol Plan

"IN 1919 the Clearing House Section recommended to the banks of the country the use of the \$20 No-Protest Minimum amount for all remittance letters. Many banks that were using the \$10 minimum continue to do so, and, for the past five years, considerable confusion has been caused by the use of the two amounts. In order to bring about uniformity, we asked the governors of the Federal Reserve Banks to cooperate with us. At their meeting held in Washington last May, a committee of three was appointed to make a survey as to which amount their members were in favor of. Such a survey would be helpful not only to their members, but to the members of the American Bankers Association.

At our Executive Committee meeting, a resolution was passed approving the adoption of the \$10 minimum amount on No-Protest Items. Proper publicity will be given to the matter—this amount to become effective six months from the date the governors of the Federal Reserve Banks agree to the adoption of the \$10 minimum on their cash letters.

Acceptance Committee

"OUR Acceptance Committee has devoted much time and attention to the further development of the open discount market and to the encouragement of the use of American Bankers Credits in the financing of imports and exports, as well as in the financing of the shipment and storage of goods within the United States. The committee has also encouraged the use of Trade Acceptances wherever such instruments can possibly be used to advantage. In connection with the rapidly increasing use of Trade Acceptances in commercial transactions, a serious obstacle in the way of adequate clearing arrangements has been encountered. Many complaints have been filed with this Section and with the American Acceptance Council regarding this matter.

"With the intent of overcoming this obstacle, and to increase as much as possible the use of the Clearing function, the Clearing House Section in a special bulletin to the Clearing Houses of the country, recommended the adoption of a rule similar to the one enacted by the Los Angeles and New York Clearing House Associations, covering the clearing and collection of acceptances. It is hoped that all clearing houses will see the wisdom of adopting this or a similar rule."

THE adoption of the clearing house idea was recommended by two conventions of state bankers associations this year. The Missouri Bankers Association and the Illinois Bankers Association commended the system and recited the need for its extension to the various units.

"We again would emphasize that a closer cooperation on the part of banks in the smaller cities and in the counties of this state is most desirable," the resolution adopted by the Missouri bankers declared.

"It not only means the regulation of what might easily turn out to be hurtful competition but it is also an incentive for a freer interchange of credit information and an encouragement of an up to date yet conservative banking standard which demands proper service for the customer, and at the same time provides that the business of such communities is handled on a profitable basis.

"Unfortunately our county organizations are not as vigorous or as numerous as they were a few years ago. We believe that now is a good time to build up new and revivify the dormant associations so that by standing together both the banks and their communities may profit accordingly. We again would commend the clearing house examiner plan, and we urge its adoption wherever possible."

The Illinois bankers resolved that "we approve of the credit clearing house idea for the several cities, counties or groups as decidedly worth while and that we go on record as favoring and indorsing it."

School Savings Show Sharp Gain

THE bank balance of school savers jumped from \$11,807,085 to \$20,435,144 during the past year. A survey of these activities made by the Savings Bank Division disclosed that rapid strides had been made in promoting thrift among the youthful scholars.

"The report of school savings for the school year 1923-1924 would indicate that the initial impulse to install school savings systems has not exhausted itself," the Division stated in its annual report. "During the year closing June 30, 1924, the number of reporting school savings systems has increased from 494 to 683, which embraces 742 districts; the number of schools from 6868 to 9080; the number of pupils enrolled in schools having systems from 3,061,053 to 3,095,012; the participants from 1,907,851 to 2,236,326; the collections from \$10,631,838.69 to \$14,991,535.40; and the bank balances from \$11,807,085.59 to \$20,435,144.64.

"The real test of the persistence and vitality of the thrift idea as developed in school savings systems is manifested in two ways: First in the growth of the honor roll, which during the past year has grown from less than 30 per cent of the entire number of systems to above 33 per cent; second, the growth and increased efficiency of the systems established prior to this year. Comparisons based on the reports of a group of about 400 districts from which data was available, both as of June 30, 1923, and June

30, 1924, show that although the pupil enrollment in these districts increased but 4 per cent the pupil participation increased 8 per cent, the collections 23 per cent and the total bank balances increased 44 per cent.

"SECOND only in importance to pupil participation in school savings is frequency and regularity of participation. Thrift is not instinctive but is subject to cultivation. Conscious participation in the activities of school savings banking at frequent intervals is essential if the lessons of school savings are to be factors in a thrifty adult life.

"The fundamental purpose of school savings aims not so much at the saving of a sum of money by the pupils as it does at the acquisition by them of the habits of saving and of reflection before the money acquired is spent.

"By reason of the rapid spread of school savings systems and the growth of bank balances there is grave danger that some districts will undertake school savings without making adequate preparations. No other phase of banking involves more constant intelligent personal attention than does school savings banking. The districts reporting the greatest degrees of success are those where the most painstaking personal attention is given to the savings system by the educators and bankers. An analysis of the causes of failure in those districts where school savings

have been discontinued discloses frequently that the chief factors are lack of intelligent interest, absence of complete cooperation, inadequate understanding of the psychology of the school savings development and only occasionally some active hostility or purely selfish motive.

"SEVEN states in the United States are without reports in this compilation. It would appear inconceivable that within the borders of those states there are operating no school savings systems of any kind.

"When the total public school population of our country shall have an opportunity to participate in a school savings system thrift will take on a new meaning to millions of Americans.

"An examination of the statistical data shows no averages covering individual states or the whole country. The reason for this is fairly obvious. The reports of some districts, as the tables will reveal, lack complete information. Averages based on incomplete returns are apt to be misleading.

"The cooperation shown the Division by the reporting officials and the increasing completeness of the reports submitted are evidences of a broader understanding on the part of bankers and educators generally of the fundamental purpose of school savings systems and of the ends to be secured by this yearly publication."

School Savings by States for 1923-24

State	No. Schls.	Enrollment	Participants	Collections	Interest	Net Savings	Bank Balances
ALABAMA	7	2,892	2,753	\$9,479	.....	\$6,769	\$6,769
ARKANSAS	25	11,606	6,350	15,998	.....	15,817	15,817
CALIFORNIA	1,370	237,068	171,253	1,227,459	\$58,678	976,162	2,437,373
COLORADO	41	25,667	4,716	25,749	38	22,521	33,933
CONNECTICUT	423	86,805	63,349	496,601	8,009	332,075	737,624
DELAWARE	38	14,458	147	105,446	2,035	61,670	120,014
DISTRICT OF COLUMBIA	86	41,580	.....	45,580	.....	45,580	45,580
FLORIDA	.....	.....	639	639	.....	639	639
GEORGIA	86	50,904	31,936	139,298	1,761	63,238	137,415
ILLINOIS	480	166,833	107,079	801,823	10,280	379,603	923,989
INDIANA	170	61,684	37,830	302,008	3,898	147,419	345,025
IOWA	181	103,800	48,962	304,247	6,960	165,829	408,605
KANSAS	92	33,279	24,111	84,474	1,401	31,506	88,838
KENTUCKY	169	57,737	33,994	292,823	2,165	179,895	234,342
LOUISIANA	87	44,726	.....	59,507	.....	59,507	101,783
MAINE	68	12,910	8,741	23,016	542	20,890	35,526
MARYLAND	20	16,156	5,972	27,157	53	14,267	14,906
MASSACHUSETTS	759	297,310	132,191	797,557	7,697	594,856	1,069,192
MICHIGAN	388	142,195	78,123	518,278	12,939	286,402	751,887
MINNESOTA	370	159,845	116,824	558,182	16,672	323,262	1,129,093
MISSOURI	109	65,319	33,863	114,841	218	86,852	100,836
NEBRASKA	63	46,668	22,330	156,835	3,714	39,213	239,560
NEVADA	3	600	359	1,791	13	721	845
NEW HAMPSHIRE	35	14,604	8,813	21,953	402	7,281	27,892
NEW JERSEY	274	96,256	69,294	552,109	12,319	284,041	804,686
NEW MEXICO	11	1,835	906	3,009	144	56	3,206
NEW YORK	815	167,444	376,031	2,008,371	31,236	1,302,737	2,163,982
NORTH CAROLINA	39	18,898	11,761	42,910	541	17,101	50,182
OHIO	669	297,901	229,017	1,369,129	32,278	607,664	1,711,553
OKLAHOMA	37	20,645	14,158	83,555	521	37,530	454,246
OREGON	29	3,411	1,093	7,375	158	4,759	10,393
PENNSYLVANIA	1,074	409,192	294,836	2,817,869	12,077	404,857	825,681
RHODE ISLAND	302	80,179	75,416	715,122	60,092	1,345,842	3,902,344
SOUTH CAROLINA	7	830	400	1,500	16	1,064	3,078
TENNESSEE	45	28,912	27,726	136,795	2,412	85,350	209,674
VERMONT	14	4,723	1,348	6,712	211	6,238	10,003
VIRGINIA	129	59,952	49,090	247,170	2,904	93,970	189,237
WASHINGTON	212	94,306	59,161	336,204	9,606	239,501	395,398
WEST VIRGINIA	73	29,599	20,887	129,067	2,320	56,263	180,096
WISCONSIN	269	83,033	61,606	403,790	6,541	207,977	513,697
WYOMING	11	3,450	.....	91	.....	47	186
TOTALS—UNITED STATES							
1923-1924	9,080	3,095,012	2,236,326	\$14,991,535	\$310,865	\$8,556,991	\$20,435,144
1922-1923	6,868	3,061,053	1,907,851	10,631,838	184,645	.....	11,807,085
1921-1922	4,785	2,241,706	1,295,607	5,775,122	.....	.....	6,479,286
1920-1921	3,316	1,829,475	802,906	4,158,050	.....	.....	5,185,280
1919-1920	2,736	1,015,653	462,651	2,800,301	.....	.....	4,200,872

Why the National Banks Want the Note Issuing Privilege

By WILLIAM J. BYERLY

President, Farmers National Bank and Trust Co., Winston-Salem, N. C.

Loss of Last Principal Distinctive Privilege May Cause Federally Chartered Banks to Leave System. Passing of These Notes Would Deprive Currency of Some Elasticity. Country Bankers Fear Farmers Disfavor Disappearance of Time-Honored Notes.

UNLESS Congress takes action dictating a contrary policy, it is likely that the last national bank note will disappear from circulation by 1938 at the latest and possibly by 1930. The Treasury has inaugurated a new policy of retiring this medium of circulation which has been in use in the United States since the Civil War.

First intimation of the intention of the Treasury to dispense with the national bank notes came last June, when it was announced that \$118,000,000 in circulation bonds, falling due next February, would not be refunded with bonds bearing the circulation privilege. Inquiry developed that not only did the Treasury intend to retire an equal amount of national bank notes, but would proceed with a policy of redeeming other outstanding circulation bonds.

In recent years the note has not been looked upon with particular pride by the large city banks. National bank note circulation has been largely confined to small town institutions. Be aware that our circulating medium does not get into the hands of a few of the powerful moneyed interests.

May Leave System

ASSUME that the national banks, seeing their last principal distinctive privilege taken away from them, see little else to hold them in the system and take out state charters. The records show that, while some state-chartered banks join the Federal Reserve System, they are very few in comparison with the whole number. As the note-issuing capacity of the reserve banks is strictly limited to the resources contributed by their members, such a withdrawal would curtail that capacity in proportion.

The value of an elastic currency must, in the last analysis, be fixed in relation to its utmost limits of expansion. When there is actual need for a vast volume of currency, the fact that an end of issuing capacity is reached produces a strained situation just as much as when the end is reached of a lesser capacity.

This was forcibly demonstrated in the fall of 1921, when the reserve ratio of the Federal Reserve Banks was drawn down to the stopping point.

The issuing of a circulation medium is a stupendous question and one of far-

reaching proportions, and, in my judgment, this power should not be delegated to the Federal Reserve Board alone (not that the members of this board are not men of high character and ability, but for many reasons, some of which I have previously stated). To leave it to any one arm of the Government would remove the constitutional principle of checking. This is a vital matter to the welfare and best interests of the American people.

Continuously since 1863, the year in which Congress provided for a national currency secured by a pledge of United States stocks, national banks have enjoyed the privilege of issuing circulation, and national bank notes have been an asset of such banks. It will be recalled that permission to issue such notes was not given to national banks in the nature of a gratuity. The Government did not stand out in the form of a great generous benefactor, seeking to bestow upon the institutions of its own creation a special privilege solely to enable them to conduct their business more profitably. It was not an unselfish favor free from reciprocal obligations. On the contrary the privilege was given in order that the Federal Government might more easily and more surely accomplish its own purpose. Then as now, unfortunately, the consideration determining the issuing of national bank circulation was not monetary, but fiscal. The Government sought to create a market for its low interest bearing bonds and to make their purchase desirable.

The national banks stepped forward and accepted those bonds. Immediately following the close of the Civil War the advantage this system of national bank circulation afforded the Government was demonstrated when it aided and perhaps almost alone made possible the refunding of high rate war bonds with lower interest bearing issues. Uncle Sam must not forget this and now perch on the top limb of a tree.

Volume of Notes

THE volume of national bank notes secured by Government bonds has remained comparatively unchanged during the last decade. In 1914 it totaled \$740,000,000, and in November, 1923, it amounted to \$743,000,000. At the present time the circulation is about 55 per cent of the capital of all national banks. The practically unvarying volume of national bank notes is due to the limited amount of bonds avail-

able as security, and the national banks look with some apprehension on the possibility of a further reduction of the security.

The announcement made by the Secretary of the Treasury some time ago that he contemplated the retirement on Feb. 1, 1925, of the 4 per cent bonds bearing the circulation privilege, brings this question seriously to the attention of all national banks. Only three issues of bonds are available to secure circulation. They are the 2 per cent Panamas of 1936 and 1938 and the 2 per cent Consols of 1930; they total \$793,000,000. The 4 per cent bonds of 1925 amount to \$118,000,000, of which \$88,000,000 are now held as security for national bank notes and public moneys. The Panama Canal bonds outstanding amount to \$75,000,000, and all but less than a half a million are held in the Treasury Department as security. They are subject to call now and have been continuously since 1916 and 1918, and they mature in 1936 and 1938. The Consols total a much larger sum; outstanding there are \$600,000,000 of them, and \$590,000,000 are held by the Treasury Department as security for circulation and other money.

So it is seen that, when the 4 per cent bonds are retired, there will be left only \$675,000,000 of bonds bearing the circulation privilege, and all but \$10,000,000 of them are already owned and used for that purpose. The \$10,000,000 held otherwise, perhaps, are generally not available to banks which might wish to secure them for circulation purposes and, therefore, if the Treasury Department follows its announced intention of redeeming the 4 per cent bonds, national bank circulation will be reduced practically the amount now secured by those bonds, or \$88,000,000.

Congress May Intervene

IN other words, the banks whose circulation is secured by 4 per cent bonds will find it almost impossible to substitute for bonds unless the Treasury Department refrains from redeeming the 4 per cent bonds, or Congress sees fit to place the circulation privilege upon some other securities. The latter course might be followed, and the recommendation of the Secretary of the Treasury would give the movement considerable impetus.

Not all national banks have expressed themselves upon this subject, but I am
(Continued on page 292)

Reducing the Hazards in Our Country Banks

By C. A. CHAPMAN

President, First National Bank, Rochester, Minn.

Safeguards Growing Out of Proper Measure of Common Counsel May be Thrown Around Operations by the Establishment of Clearing Houses. Prevention versus Disintegration is the Real Issue. The Examiner Plan is Being Extended to Counties.

THE better protection of country banks might be said to require, primarily, a better dissemination of the knowledge of professional experiences, and the practices adopted in consequence of such experiences, and of the public and private laws for the standardizing and general acceptance of such practices and usages. One illustration might be drawn from the safeguards being set up against risks incurred on transit collections. Experiences were multiplied that serious losses could be incurred from failure of collection-agents, and the acceptances of exchange in lieu of legal tender from such collection agents. The organized clearing houses exchanged their experiences and by private law of such clearing houses, supported also, wherever possible, by special contract between member and correspondent banks, placed the burden of responsibility and risk where it belonged on the bank of origin.

In times of stress and distress bankers have gradually learned to consult each other, and with great general benefit. The clearing houses have long furnished a means to this end in the financial centers while isolated and intense individualism groped blindly elsewhere. Can we in the country towns and smaller cities yield individualism and take in its place a proper measure of common counsel, as our metropolitan brothers have so well done?

Hazards of Banking

THE hazards of banking are often inside hazards, due to faults in organization of an individual bank; dangerous influences self-contained which experience would indicate as threatening fatality; dangerous practices due to inexperience of management or lack of character and stamina. Such hazards are often known or sensed by the other banks sharing the territory, but undiscovered by the public or Governmental supervisors, however efficient.

For the comfort of our professional pride, let it be truthfully said, however, that the great percentage of banking hazards are from the outside. These spring from organized groups of criminals seeking either by trick or by force to snatch from us the valuables with which we are entrusted. Or they come from the clients who induce the bank to finance unsound ventures or to make advancements

upon insufficient credit information or deficient security.

As we briefly catalogue all of these inside and outside dangers it is perfectly apparent that they may be largely controlled, reduced or even eliminated by the enlargement of our common counsel, the interchange of information and experiences, frank checking data, conference, consultation, the council table, the round table, the creation somewhere of a common treasury of advisory safeguard available to all.

Creating the Safeguard

SUCH a medium is offered by the American scheme of clearing houses. There should undoubtedly be a clearing house in every community having three or more banks. It seems also convincing that there are hundreds of counties in the United States where county clearing houses should be created, and that once organized they will become indispensable and yearly expand their activities. Protection against losses by violence from outside criminals could be splendidly handled through a county clearing house association borrowing the minute men and vigilance ideas so successfully worked out in Iowa.

With a county clearing house organization as the common treasury of good banking counsel, with a centralization there of a common professional allegiance, yielded by all for the common good along ethical lines, an adequate credit file and a working office in charge of a competent examiner, a very great decrease will be seen in the mortality of banks, and of large losses to stockholders of banks from defalcations, embezzlements and incompetent management.

There are many counties in the United States now considering the adoption of some form of mutualized examination, and it is inevitable that it should come. The genuine interest of bankers with a professional viewpoint and concern is in banking as a profession and as an institution. The success of the existing banks in our American system or the reduction of the group to the successful is a vital concern to all. It is disastrous to all banks that any should fail. It is especially disastrous to the remaining banks in the immediate community or section. To prevent public disturbance from this source, it has become the common practice in clearing house

cities to intervene, and to arrange absorption and consolidations, to employ guarantees, and every known expedient to prevent outright failures and to save the common clientele of the banks from hurt and loss.

Prevention versus Disintegration

HOW much more intelligent it would be, for us to employ long in advance the preventives which we have in our common experience and counsels. When a neighboring bank seems to be endangering its future by rejected methods, there is danger for all and the call is not for back-biting and competitive gossip, but for a common system of safeguards. The examiner system furnishes that very thing.

American banking has reached finally the adult stage, and seeks now for controls and preventives. It is groping about for means of bank birth control, financial public health, credit hygiene, and sanitation. A well organized clearing house in every city and town having three or more banks and in those counties in which physical conditions permit it, a clearing house examiner, will, with the gradually improving system of national and state examination, earn for American banking, the deserved confidence of the entire public, and give it a hearing before that public which is now often denied it.

Clearing House Accomplishments Cited

THE substance and fiber of the clearing house as an institution is the council table. The mechanizing of clearings and exchanges is a valuable thing and not to be minimized. The gathering of community statistics is a consideration of genuine value. The deepening of acquaintance and friendship among competing bank officials as afforded by frequent clearing house meetings is indispensable. The adoption of rules for eliminating the objectionable elements of destructive competition is a valuable consequence of clearing house organization.

There are indeed many other aspects which would bear emphasis and elaboration, but the greatest value of them all is the interchange of experiences, the sharing of a common counsel, the free discussion of problems and hazards, and the building up

(Continued on page 283)

How to Defend Your Bank

AT least 500 people have asked me in the last three years what I would do if bandits came to hold me up," writes Mrs. Mary Garlinghouse, cashier of the State Bank of Vera, Okla., a town of only 300 population. She runs the bank alone, doing all the work herself.

"My answer was, 'I will keep my head. I will fight and it will be either they or me who will leave this world.'"

"I have no one to help or protect me, and my mother who is seventy-seven years old, lives with me. I wish to make this explanation so you will understand that I have to be self-reliant, and it gives one more courage when they get in close quarters."

And one day not long ago bandits did come, masked and revolvers in their hands, but this intrepid woman quailed not. Though they got her gun she fought them, determinedly, locked in a death struggle with one; fought him in and out of the building and triumphed, even though he had a pistol in his hand during all the struggle.

At a meeting of the Executive Committee of the American Bankers Association in Chicago, the president of the Producers National Bank of Tulsa, Okla., read a letter from Mrs. Garlinghouse in which she described how she defended her bank.

When the Bandits Came

I OPENED the bank, as usual, on the morning of Sept. 16 and waited on several customers," she wrote. "A man stepped into the bank. He wanted to know if I had any clothes I wanted cleaned. I told him, 'No.' I then turned around to work on my ledger, turning my back to the window and door.

"I am alone in the bank and do part of my work during banking hours. While I was posting my ledger, with my back to the door, I heard a commotion. When I turned around there were two men in the back of the counter, with handkerchiefs over the lower part of their faces.

"The larger of the two men made a jump for my gun, before I realized what was happening. All this took a much shorter time than it takes me to write it. The robbers each had a gun pointed at me, and said.

"Lay down or I will shoot you!"

"I said, 'I will not lay down and you will not shoot me.'"

"This conversation was repeated several times. I told them to cut out their foolishness.

"The man who was in the corridor when the bandits came laid down on the floor, face down.

"I tried to argue the case with the robbers and they began to get rough, but at the same time something within me seemed to realize that they were getting confused.

"I kept thinking that some one would come in, or that some one would see us.

They had my gun and I did not have a thing with which to fight. I kept waiting for something to turn up, sparring for time. The larger man got busy with the money, while the smaller one took care of me. He jerked me to my knees and hit me over the head. This jolted my glasses and I lifted my hand, waiving it in front of his face and telling him to wait a minute.

The Struggle Begins

I THEN took my glasses off and put them on the table near me. But lifting my hand rather high caused this man to look up and he saw that we were observed from across the street and that I was getting help.

"Then he saw the constable, W. R. Mosby, with his gun and said to the man who was gathering the money.

"Don, we are seen, we must make our getaway!"

"He then grabbed me rather roughly and said:

"Come on here; you are coming along!"

"Here is where our struggle began.

"All the time we fought over his gun, I did not try to take it away from him, but kept moving it from one side to the other, and of course he was determined to point it straight at me.

"I told him: 'I will not go and I am not afraid of you. You will not shoot me!'"

"I heard two shots fired and learned later that it was W. R. Mosby firing at the car, to cripple it.

"We fought to the back door of the bank and he had the best of me. But when we got there, he raised his arm to fire at Mosby across the street. At once I grabbed him around the neck, and he fired before I could get hold of his hand. I am positive that this man was never hugged so tightly, nor ever will be, as I hugged him then.

"I clung to him with all my might, realizing then that I must fight for my life. From that time on the man tried his level best to kill me. What the other man was doing I do not know. My man was trying to pull me out the back door to their car, which was still running, and I was determined that he should not.

"He took hold of the screen door, which must have been opened by the other man, as it was closed and hooked that morning, and tried to pull me out. This naturally would put his arm out and his body high and it would put me low, because I was pulling back.

Robber is Shot in Arm

R. C. LAPSLEY, the mayor, or Ed. Mosby, saw their advantage and shot the man in the arm. I did not know at the time that the man was hit, but I know there was a jerk and out the door we went. Things were coming my way now. I pulled the robber away from his car and into the weeds, still hugging him, half on his back and half on his left side.

"I still had hold of his left hand with the gun. I did not dare turn loose with my right hand, because he would swing me around in front of him and kill me. He kept telling me that he would kill me.

"The struggle continued awhile—I do not know how long; a person loses track of time—I could not tell you whether this struggle at the back of the bank lasted one minute or fifteen minutes.

"The robber said, 'I will give up.'

"I said, 'Give me your gun.' He answered, 'I will not; I know you will shoot me.'

"So the struggle kept on. We got back on our feet, in the same position in the back door of the bank, fussing all the time over his gun. I all the time asking him for his gun, and he telling me he would not give it to me because he knew I would shoot him.

"I assured him that I would not, but that I meant to have his gun and would fight him until I got it. We fought through the back room behind the counter.

Woman Subdues Him

I TOLD the bandit that we were going out in front. He begged me not to take him, and I asked him again for his gun and he said, 'No, I know you will shoot me.'

"We struggled through the front door in the fixtures, and then Constable Mosby said, 'Drop your gun or I will shoot you.' The bandit gave up his gun.

"In my first struggle to the back door I saw my gun passed from the larger man to the man with whom I had my fight. After I had his gun I held him and demanded that he give me my gun. The bandit said it was in his pocket. I asked him to give it to me, but he answered, 'I can't; I am shot.' This was the first I knew that he was wounded.

"I then got my gun and turned him loose and the men took charge of him. I wondered about the other bandit and started through the bank to look for him and found him in the closet in the back of the bank, dying.

"R. C. Lapsley, who was stationed northwest of the bank and Ed. Mosby, who was stationed at the southwest of the bank, told me afterwards that when the bandit and I lurched through the back door and into the weeds, the larger man, with his gun in his right hand and the sack of money in his left, stepped up to the door. They both fired at once. The robber dropped his gun and the money, but they could not see what had become of him. The prompt response I received from the men here was splendid. Those bandits would have played ball with me had the men not come to my assistance.

Citizen Gives the Alarm

LEONARD STEPP, a young man here, saw the robbers drive up to the back of the bank. They left their car
(Continued on page 287)

Policy Covering Robberies Revised

By WILLIAM F. KEYSER

Chairman of the Insurance Committee

SINCE the 1920 copyright form of bank burglary and robbery policy was prepared and adopted by the American Bankers Association four years ago, conditions governing burglary and holdup insurance have undergone some changes and certain technical and practical defects have developed in the policy itself. Therefore, during the past year, the Insurance Committee has concentrated its efforts primarily upon a revision of the standard form of 1920 with a view to the clarifying and broadening of its terms to meet present day requirements.

The new form, to be known as the American Bankers Association Standard Form Bank Burglary and Robbery Policy, Copyright 1924, is near completion and has virtually been approved by the National Bureau of Casualty & Surety Underwriters. Concisely stated, the 1924 form as now contemplated contains the following improvements over the 1920 form:

1. In each of the insuring clauses the word "pay" has been substituted for the word "indemnify" and the phrase "sustained by the assured, or by the owner(s)" has been inserted following the word "loss." These changes bind the insurance company to pay whether the stolen property belongs to the bank or was being held by the bank for the accommodation of the owner, and whether or not the bank is legally liable for the loss. The insuring clauses of the 1920 form begin with the words "To indemnify the assured for all loss." The revised language reads, "To pay the assured for loss sustained by the assured, or by the owner(s)."

2. The former insuring Paragraph III indemnified "the assured" for all damage to money and securities and to the premises, safes, vaults, etc., caused by burglary or robbery. The damage coverage granted by this paragraph has been extended to money and securities belonging to the owner(s) other than the assured, while it confines damage coverage on premises and contents thereof to those owned by the assured.

3. A new insuring paragraph, numbered IV, has been inserted, reading as follows: "In no event shall any person, firm, corporation or association other than as named in Item I of the Declarations be considered as the assured hereunder, and the insurance hereunder applicable to any property not owned by the assured shall apply only in such amount as is in excess of a sum sufficient to pay the assured in full for the loss sustained by the assured."

4. The definition of personal pronouns as used in the policy has been transferred from Condition "R" entitled "Changes," to Condition "A" entitled "Definitions" where it properly belongs.

5. Condition B of the old form has been entirely deleted. The four subdivisions of this paragraph describe the limit placed on securities covered under the policy, and are rendered unnecessary by the revisions that have been made in the insuring paragraphs of the new form. The last sentence, which defines the time of valuation, now forms a part of Condition K of the new form. The elimination of this paragraph automatically advances by one letter the alphabetical order of succeeding paragraphs. The comments following in this report refer to paragraphs as designated in the 1920 form of policy.

6. Condition C, entitled "Exclusions," which limits the company's liability, has undergone the following changes: (a) Subdivision (2) relieves the company of liability "unless the books and accounts of the assured are so kept that the amount of loss can be accurately determined therefrom by the Company." In this clause, the word "records" has been substituted for the words "books and accounts" for the purpose of safeguarding policy holders that may be unable to present recognized "books" or "accounts" but are in a position to furnish records in memoranda or other form. For the purpose of guarding against inaccurate or inflated records of losses, the verb "are" is changed to "have been" in referring to the manner of keeping the records.

(b) Subdivision (3) relieves the Company of

liability "if the Assured or any associate in interest, or a regularly employed servant or employee of the Assured, is criminally implicated—in effecting or attempting to effect the loss." For the words "criminally implicated" appearing in this clause the words "a party to the crime" have been substituted. This change is considered advisable on the theory that an innocent bank employee might be charged with the crime of being a principal or an accessory in effecting the loss, and it might form the basis of a contention that he was "criminally implicated" by being so charged.

(c) Subdivision (4), which states that the Company shall not be liable "for damages to any property unless it is owned by the Assured or the Assured is legally liable for such damage," has been entirely eliminated.

Further Protection Granted

THIS for the reason that insuring Paragraph III of the new form of policy grants protection against loss by damage to money and securities held by but not belonging to the Assured.

7. Condition G, entitled "Misstatements in Declarations" provides, among other things, that "if for reasons beyond the control of the Assured any safety or protective appliance fails to operate, the Assured will provide at least one watchman—until all such appliances have been completely restored." The expression "any safety or protective appliance" has been qualified by the words "other than as described in Item 6 of the Declarations," which qualification relieves the bank of any responsibility for the proper working order of its combination and time locks.

8. Condition H, entitled "Notice of Loss" requires the Assured to give "immediate" notice to the Home Office of the Company upon knowledge of any loss or damage covered by the policy. The new form, instead of requiring immediate notice, requires that notice be given "so soon as practicable," the advantage of which is obvious. This paragraph has been enlarged by adding the following Condition, entitled "Money and Securities Not Owned by the Assured": "in the event of a claim hereunder for loss of or damage to money or securities now owned by the Assured and legal proceedings are taken against the Assured to recover for such loss or damage, the Assured shall promptly notify the Company in writing, and if the Assured so elects, the Company shall conduct and control the defense at its own expense."

9. The provision in Condition J that entitles each party to ten days' notice of cancellation has been so amended as to require the Company to give ten days' notice of cancellation and to permit the Assured to give notice of immediate cancellation. This condition has been changed to comply with the laws of the State of Iowa.

10. Condition N, entitled "Limitations," has been so revised as to place the time limit for bringing suit under the policy at forty days after proof of loss is furnished, instead of three months as heretofore. This condition has likewise been changed to comply with the Iowa laws.

11. To condition O, entitled "Assignment" and reading "No assignment of interest under this Policy shall bind the Company unless its written consent shall be indorsed hereon," has been added the following provision: "If the assets of the Assured are under control, or vested in, a receiver or trustee in bankruptcy or insolvency, or assignee for the benefit of creditors, or any other officer designated by law or appointed by court to administer the assets of an insolvent, the insurance hereunder during the unexpired portion of the policy period, whenever such control or vesting constitutes an assignment of interest, shall continue in force in favor of such receiver, trustee, assignee or other officer aforesaid, provided written notice thereof shall be furnished the Company within thirty days after such change in control or vesting." The purpose of this added provision is to protect a failed bank against invalidation of its policy provided notice of assignment is given the Company within a reasonable time.

12. Condition T, which details the application of the insurance, has been simplified but without altering the coverage in any respect.

The declarations have been revised only in such particulars as will insure a correct de-

scription of the bank's equipment.

The committee has under consideration the advisability of amending conditions E and F with a view to clearness, without altering the present intent of the policy.

The above constitute the principal changes that have been made in the 1920 copyright form. Other changes are of a minor nature and consist of re-lettering of paragraphs, re-numbering of sub-divisions and slight alterations in phraseology to conform with the general revision of the policy.

The spirit of cooperation evinced by the underwriters has been of material assistance to the committee in its efforts to simplify and perfect the policy, which, in its revised form we believe to be as nearly free of defects as is possible to make it.

Various reports of the Association's insurance committees in the past have contained references to Lloyd's Banks' and Trust Companies' policy, designated as H. A. N. form (C) Amended, which form bears the approval of a previous Committee. Certain clarifying and broadening changes in this form have been voluntarily proposed by the underwriters. They are as follows:

1. In the insuring clause, which binds the underwriters to "Pay and make good—all such direct losses," the word "direct" qualifying "losses" is omitted.

2. Article 1 is made specifically to cover custodianship or safekeeping whether gratuitously or for hire and whether or not the bank is legally liable in case of loss. This article is further broadened to include loss by "larceny."

3. Article 2, which covers money and securities, "whilst in transit on the hands of officers, clerks, or servants," has been altered by substituting the more satisfactory word "custody" for the word "hands."

4. Article 3, which among other things protects against loss because of "genuine" cheques bearing forged indorsements, has been broadened by eliminating the word "genuine" preceding "cheques" and by adding the expression "or certifications," following the word "indorsement." This article has been further improved by extending coverage of loss suffered "by reason of the acceptance or payment of forged withdrawal orders or of withdrawal orders bearing forged indorsements."

5. The following new clauses pertaining to recovery and cancellation have been inserted:

"In case of recovery the insured will be entitled thereto until fully reimbursed, the excess (if any) to be paid to underwriters, except that the underwriters shall be reimbursed from such recovery for actual expenses, (if any) incurred by them in obtaining recovery."

"This insurance is subject to cancellation (a) thirty days after the receipt by the assured of a written notice from the underwriters of their desire to cancel this policy or (b) upon the receipt by the underwriters of a written request from the Assured to cancel this policy. If cancelled by the underwriters, the unearned premium shall be returned at prorate but if cancelled by the Assured the unearned premium is to be calculated and returned at short period rates."

Tests of Alarm Systems

BEING convinced that all of the proposed amendments to the H. A. N. Form (C) Policy are advantageous to the assured, the committee approved them in the course of its meeting held Sept. 29.

During the year the Underwriters' Laboratories have completed an exhaustive test on the various alarm systems manufactured for banks, the object being to determine the pro-

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A Simple Method of Determining Bank Operation Costs

BY O. HOWARD WOLFE

Cashier, The Philadelphia National Bank, Philadelphia, Pa.

IT is certain that there is no other class of business which does so much for nothing as banking does. This fact is entirely to the credit of bankers as a whole, although, unfortunately, we do not seem sufficiently clever to establish the reputation which we deserve by making it clear to our customers that this is the case.

It is in the service of making available to the public the payment of debts by bank checks that so many serious losses occur. The public—and for that matter many bankers—have a scant conception of the cost of this service.

To ascertain whether or not a checking account is profitable to a bank is not a very difficult matter.

There is nothing new in the procedure commonly known as analysis of accounts, or sometimes cost accounting. It was begun about thirty years ago in New York City, and has since spread pretty generally all over the country. It may be defined briefly as the process of determining the cost of operating bank accounts. It may be simple or it may be complicated, but for country banks, the more simple the analysis, the more effective. It is simple in operation because banking is a kind of business which requires records which readily adapt themselves to analysis, and it is not necessary to employ cost accountants or experts to do the work. It is possible to explain the fundamental principles of an entirely satisfactory system or analysis in two or three sentences which anyone can understand.

All That Is Needed

ALL that one needs is first, a record of daily average balances. From this is deducted the average daily amount of checks outstanding in process of collection. From this is deducted the legal reserve and the remainder is the average daily balance available for loaning. The income on this remainder is figured at the current rate for money in that particular bank. Against this income we then deduct the amount of interest allowed and the overhead cost of collection checks deposited or paying checks drawn. A safe figure without further analysis, to cover this item amply is three cents per check. The result represents the profit or loss on the account.

If the matter of forms or the method of procedure were the important questions, then it would be very easy indeed to prevail upon all banks to analyze at once. Unfortunately, however, this is not the case. Country banks and many city banks neglect the matter of analysis partly because they honestly believe it to be a cumbersome and complicated process, but chiefly because they feel that banking is a profession which ought to do something for nothing. There are a few bankers who will insist that all of the accounts on their books are profitable ones. The plain facts are, however,

that there is probably no bank but what has not one, but many, even hundreds of accounts, which are a constant, steady and entirely unnecessary drain. The same banker who says "No" without hesitation to a customer who applies for a loan and is not entitled to it, will permit that customer to draw innumerable checks against uncollected funds, will pay him interest on ledger rather than collected balances, will furnish him with a dozen handsomely printed check books entirely free each year, and perform numberless other services for which he gets absolutely no pay.

What of the Losing Account?

AS important as analysis of accounts is, the vital question is the use to which the analysis is put. For there is no use whatever in analyzing accounts unless the bank does something about the losing account.

The average country banker works on two erroneous theories. The first is that every small account has in it the sure possibility of some day being a large and profitable one. The other is that if he speaks to a customer who has a losing account, he not only will malign the bank, but he will straightway go down the street and give his business to a competitor. Neither of these things is true.

With respect to the fear that the man who is causing you a loss may go down the street and cause a similar loss to your competitor, why not let him go? There is no reason why the parting should be either a sad one or one in which there is any unpleasantness on either side.

Need Not Analyze All Accounts

A FEW months ago I called upon one of our country correspondents in a small Pennsylvania town. His account with us had been showing a constant loss, due to the fact that he was sending us several hundred thousand dollars of out-of-town items monthly, although he carried but a nominal balance to cover the cost of operating his account. The account had always previously been conducted upon an entirely satisfactory basis, and therefore our correspondent expressed considerable surprise, not to say doubt, when we wrote him a letter about the changed condition as shown by our analysis. Under the circumstances I thought it best to call to see him, my thought being to go over with him the status of some of his own accounts. He showed me the ledger record of the chief offender, and without it being necessary to dig up any records, we were able to analyze the account for the past month in just about five minutes' time, and discovered that this one depositor was causing a monthly loss of about \$25.00. As a result

of this visit, we had made up for our country bank friend in our own printing department some analysis summary forms bearing the name of his bank. The following month he analyzed the account, and using this printed form to show the results, he called the depositor to his desk and explained the situation. He explained the reasons for the loss in the account in such a way that instead of being offended at the banker, the depositor agreed to cooperate and put the account on a better basis. The matter simply had never been brought to his attention before. The reason for the average depositor's point of view is not hard to understand. A check to him represents either an old debt paid, or a profit on a recent transaction, and when he indorses the item and gives it to his bank to collect, he has the feeling that somehow his bank should be just as glad to see that check as he was.

There are two thoughts in connection with analysis which ought to be implanted in every country banker's mind. The first is that he does not have to analyze all of the accounts. Ordinary observation will disclose which are the profitable ones. The second thought is that even these accounts do not have to be analyzed all of the time. The depositor is carrying the same average balance and depositing the same kind of checks because his business is naturally of the same general character this year as it was last. If we can add to these two thoughts the final one that analysis is exceedingly simple, and there are hundreds of bankers experienced in analysis who are only too willing to help the novice, I believe our major problems will be solved.

The Clearing House Section of the American Bankers Association is prepared to render efficient help to state bank associations and country bankers who are interested in the question of analysis. A committee has been appointed to draw up a simple form of analysis, with a proper explanation as to its use. More important than this, however, the committee will prepare a pamphlet, the purpose of which will be to explain the necessity for analysis, as well as the methods which experience has shown to be best for bringing to the attention of the customer the reasons why he should see that his bank account is reasonably profitable to his bank. The pamphlet will also contain information and suggestions concerning the payment of interest on active accounts and similar subjects which affect the status of the average checking account.

Bank Examiner

Frank L. Norris, for several years a national bank examiner, has been appointed vice-president of the Gotham National Bank of New York.

Mr. Norris assumed his new duties with the bank on Oct. 3.

Better Yield on Bank Assets

Everyone is asking you, as a banker, to "spread the gospel of economic truth."

Meanwhile you are asking yourself, "At present operating costs and interest rates, where do my stockholders come in, if I spend their money on missionary work?"

However the two positions reconcile, if you look at them in this way:—

YOUR bank's best asset, and the one which pays your stockholders the highest return is the confidence of your community.

All the people around you are vitally interested in what your bank has to say on money, on saving, on credit, on securities and on the conservation of estates. These are interesting subjects in themselves and people are willing to admit that your bank is their most reliable source of information on these subjects.

They will pay you well, in new and increased business, for what you tell them—provided you do it in an interesting, an understandable and a definitely *usable* way.

Here is an asset, and a weighty asset, of your bank. Are you utilizing and developing it so that it yields its maximum profit?

Here is a problem—a specialized, banking problem. Are you willing to consider the professional advice and service of an organization with sixteen years experience, in connection with it?

*The coupon is for your convenience.
If a letter accompanies it we shall
be all the more pleased.*

Bankers Service Corporation

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BANKERS SERVICE CORPORATION
19 AND 21 WARREN STREET,
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Gentlemen:

Without obligation you may tell us what you have learned about the extension of bank service. We are particularly interested in the subjects checked.

- ☐ New Accounts in Volume
- ☐ Better Checking Balances
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Bank.....

Officer.....

City.....

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SEEKING NEW BUSINESS ON OUR RECORD

No "Airs"

ONE HUNDRED years have given OLD BULLION a lot of atmosphere, but no "airs." It still remains as simple in its dealings as were the farseeing men who founded it back in 1824.

CHEMICAL BANK CENTENNIAL
100 YEARS OLD — 100% MODERN

THE
CHEMICAL
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BANK
OF NEW YORK

BROADWAY AT CHAMBERS, FACING CITY HALL
FIFTH AVENUE OFFICE AT 29TH STREET
MADISON AVENUE OFFICE AT 46TH STREET

Tuning In

(Continued from page 208)

saults. The banks which it created remain as the bulwarks of our credit system. How long will they last? How many people have even an approximately correct understanding of what the system is or what it means to business? How many people know that the Federal Reserve Banks are owned by their stockholders and that their only stockholders are their member banks? How many people know that the government owns no stock?

One attack follows another and always the attacking force wants the Reserve Banks to do something that the law forbids or to cease doing something that the

law directs. The new proposal—from the medicine men—is that the farmers have not yet enough places where they can borrow money. The Reserve Banks should make loans to them direct. The proposal is being made openly enough but it is given a background of great subtlety. It carries the implication that there has been discrimination against the farmer. It suggests that the farmer has been deprived of something to which he was entitled.

This particular suggestion is listed here because it is typical. Suppose we take this one and strip it of its sentimentalism, its innuendoes, its gilding and gloss and take a look at its bare bones. That is what should be done with every proposal to amend the Federal Reserve Act. Now what do we see?

Our Credit Structure

THE Federal Reserve System is frankly a commercial banking system. The Federal Reserve Banks are frankly banks for banks. They receive deposits only from their member banks and from the Government and the latter are not significant. They may operate in the open market; they may make loans against government securities, and they may own government securities.

The deposit credits of banks in the Reserve Banks are reserves. Those reserve deposits are the foundation on which rests our whole banking system—our whole credit structure. More than that, it is the foundation of the nation's business stability. The percentage that the reserves of the Reserve Banks bear to their deposit and note liability is one of the best guides for the measurement of business stability.

The proposal is that we lend those reserves to farmers. It is proposed that we dip into our reserves and substitute for them farmers' promises to pay.

The Federal Reserve Banks cannot make loans to farmers. They cannot make loans to railroads or to corporations or partnerships or individuals. If they could, they would cease to be reserve banks. We might say that the member banks would withdraw from the Reserve System if such an attempt were made. But that would hardly happen. They would be kicked out. Their reserves would be impaired or destroyed or be jeopardized, and one is as bad as the other. Of course, the proponents of such a plan would call on the Government. And that is the answer. That is probably the purpose behind the proposal. I have no taste for this matter, but if we are to have a government bank or government ownership of banks, let us be honest with ourselves and say so. After some years of experience I have also concluded that men who do not know what they are talking about should keep still.

Credits and Profits

ON our understanding of credit depends the amount of our profits. Profits are of vital importance. The banker owes a duty to the public. If he is an investment banker it is clear enough that his duty is to the prospective purchasers of bonds. He owes to the investing public the greatest care in investigating the security back of the bonds and the best judgment which his training, knowledge and experience permit. If he is a commercial banker, he owes the public the duty of good management and good management of all banks is a social obligation.

Good management—the understanding of credit—means profits. Profits do not and should not mean a toll levied on business. They are not an addition to business costs. They are not always even pay for valuable services rendered. Bank profits, as I see them, are created by service given: they represent sums that would otherwise be lost, sums that did not before exist. There should be profit because the work of gathering and distributing capital is creative; it is more than desirable. Under modern conditions it is indispensable.

If we turn to the receiver again we will

hear that bank "losses" form an item of almost equal importance with dividends. In 1920 the national banks of the country paid \$147,000,000 in dividends and \$114,000,000 for losses.

In 1921, a sad year, dividends \$158,000,000 and \$179,000,000 for that other account.

In 1922 dividends took \$165,000,000; losses \$192,000,000.

In 1923 we did better. Dividends \$179,000,000; losses \$160,000,000.

Statistically we could go farther but it is far enough to show that losses are pretty consequential. They raise a question of the quality of our credit judgment—of sound credit judgment which is the one perfect test of banking ability and capacity.

Banking Legislation

FOR the losses and griefs bankers alone are not at fault. We have banking laws, banking departments and a good many political adventurers who know what banking should be without having any conception of what banking is. Collectively they do some queer things. The point of present interest is that they tried by legislation to reduce bankers to a common level of ability. They invited into banking the untrained and the inexperienced. They multiplied the number of banks and, when trouble came, they failed to meet promise by performance.

The banker must know business. He must know the long trend and the short fluctuation. It is not his job to control or seek the control of business or of production. He cannot arbitrarily favor some lines and penalize others, but if he is a good manager and is bent on doing his full duty, he may take into account the rises and declines in various industrial lines. As a matter of avoiding losses and making profits, he must determine the distribution of capital according to the flow and development of industry and he must know what are good and bad credit risks. It is by making accurate appraisals that he can stimulate and guide production.

If we can make accurate appraisals, if we exercise sound credit judgment, if we are good managers, we will be justified in forgetting profits because if we have general prosperity, individual profit will take care of itself.

There is a growing tendency to give attention to larger production and larger national income. It should be a source of gratification to us that the national income of the United States is the largest in the world's history and the per capita income is higher than in any other country. But looking forward, we need not be so much interested in this or so much concerned over it as over larger production and larger national income through better management, better use of capital, more efficient labor, the elimination of waste.

And so we are brought again to the banker's obligation—the one that he cannot shirk or dodge—the one of gathering and distributing capital. He must do it in a way that brings profit to him, of course, but, more important, it must aid in increasing the national income; it must work for more effective production; it must be so done that it will bring greater wealth.

Sharing in the prosperity of the Nation

NO one who puts his confidence in the growth and prosperity of the United States as a whole will be disappointed.

The American Telephone and Telegraph Company, in conjunction with its Associated Companies, offers a service, nation-wide in character, which has become a vital part of the machinery of modern business. It reaches every section of the country.

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D.F. Houston, President
195 Broadway NEW YORK

How the First County Credit Bureau Works

By W. E. CARTER

President, Bank of Carthage, Carthage, Mo.

THE Jasper County Credit Bureau is said to be the first organization in the United States embracing the towns of an entire county, organized for the purpose of exchanging credit information. For that reason it has attracted considerable attention among bankers throughout the country.

Jasper County, located near the southwest corner of Missouri, has a population of about 80,000. There are three principal cities; Carthage, the county seat, located in the center, with a population of about 12,000; Webb City and Carterville, about nine miles southwest, with a combined population of about 10,000; and Joplin, eighteen miles southwest with a population of 35,000. In these three cities there are 12 banks which hold about 94 per cent of the banking resources of the county. In the entire county there are 27 banks, thus it will be noted that only about 6 per cent of the banking resources of the county are represented by the 15 banks outside of these three centers.

The organization of the bureau was fostered by the Jasper County Bankers Association which has been an active organization for 18 years. About a year ago some of the bankers decided that if credit bureaus were practical in larger cities, they could, no doubt, be operated to advantage in our county. After some consideration of the matter a committee was appointed to make a thorough investigation, with the result that about six months later, a constitution and by-laws were presented. After considerable discussion it was adopted in July, 1924, by nine banks whose resources are 76 per cent of the total banking assets of the county.

THE plan of operation is similar to bureaus operated by the clearing house associations of some of our large cities. Direct and indirect borrowers are reported on plain cards of different colors, each bank using a symbol known only to itself and the manager. These cards are sorted together and after duplications are disclosed the manager notifies each member of the duplicate loans and number of banks from which each is borrowing. After this report is made all members are required to inform the manager the amounts of the loans to the duplicate borrowers. After this information is received by the manager each member interested is notified of the number of duplications and total indebtedness of each. That is all the information the manager voluntarily gives out.

Any further information must be by request of some member and then the details may only be given out after the manager has received the consent of the interested bank. A list is kept in the manager's office of all duplicate borrowers together with the total amount and number of banks they owe; also, the cards show all other borrowers and endorsers, no

amounts being reported unless duplications are disclosed.

A member contemplating the extension of a new line of credit and wishing to know whether the suggested borrower owes other banks in the county, can get that information by telephoning the manager. If he owes but one bank the only information available is the fact that he has been reported a borrower in one bank, no amount obtainable. If he owes two or more, the number of banks and the total amount of his indebtedness can be promptly ascertained. After the first report each member reports all new loans daily.

THE total resources of all the banks of Jasper County are \$17,900,000, of which the nine banks making first report have \$13,600,000, or 76 per cent. Three other banks since first report, have joined the organization and there is reason to expect two more will join in the near future, thus giving the bureau a membership of 14, having resources of \$17,200,000, or 96 per cent of the banking resources of the county. The 13 non-member banks are small, having combined total resources of only \$700,000.

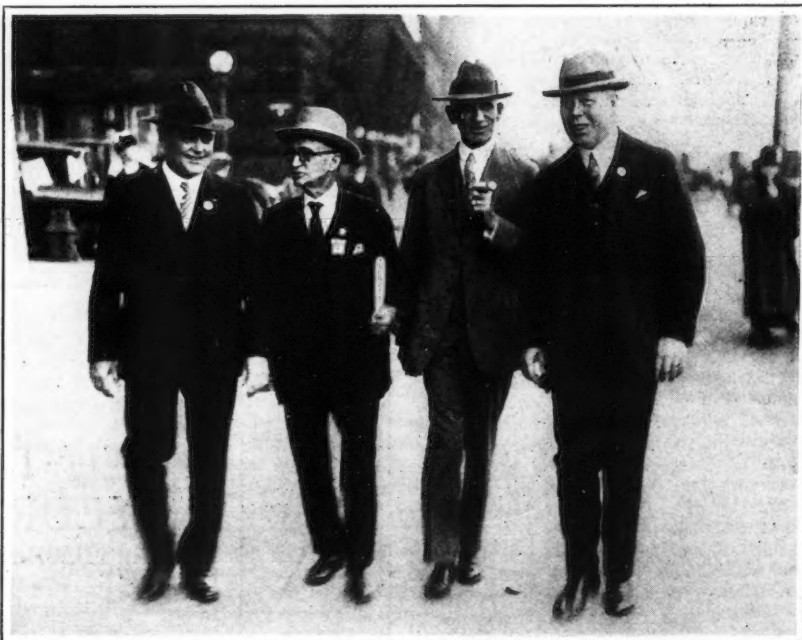
From the first report it was found that in the nine banks reporting there were 3,422 direct borrowers, and 874 endorsers and sureties; total of 4,296, from which 245

duplications were disclosed, or 8 per cent of total were found to be borrowing from two or more banks.

From 3 banks.....	63
From 4 banks.....	18
From 5 banks.....	7
From 6 banks.....	1
From 7 banks.....	2

While there is some expense connected with the operation of such a bureau, the cost involved, compared with the results that can be obtained, is very small. The constitution and by-laws call for a maximum assessment for expenses of 20 cents per \$1,000 per year on loans and discounts of member banks. Experience up to this time would indicate that the cost to the members will probably be about 10 cents per \$1,000 per year on loans and discounts. Perhaps the cost will be a little more the first year due to the initial cost of organization.

THE expense of operation is smaller than was first anticipated on account of the bureau being very fortunate in obtaining the services of a man for manager who has retired after several years connections with a city bank and is not wholly dependent upon the salary he receives from the bureau. Only one-half of the manager's time is required, office hours being from 9 to 12 o'clock in the morning.



Coming from the convention. Left to right, E. E. Crabtree, vice-president, Farrell State Bank, Jacksonville, Ill.; Will Wayman, president, Emporia State Bank, Emporia, Kan.; M. H. Malott, president, Citizens Bank, Abilene Kan., and Frank W. Simmonds Deputy Manager, State Bank Division



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"Our blotter clerks and various departments use 21 Burroughs Duplex Listing Machines. The Duplex furnishes automatic proof for inter-departmental items."



"We use Burroughs Calculators for figuring interest on our savings accounts, deferred credits in the transit department, proving footings, etc."

The Old National Bank of Spokane is equipped 100% with Burroughs Machines. Only four departments are shown here. The 58 machines used include Burroughs Adding, Bookkeeping, Duplex, Calculating, Transit and Teller's Cage Machines.



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The Old National Bank Relies on Burroughs in Every Department

In every department—and on every figure job—Burroughs Machines are saving time and money for the Old National Bank of Spokane. By their speed and accuracy they are helping to build the prestige of the institution; by their economy they are reducing overhead and increasing bank profits.

What better tribute to the thoroughness with which the Burroughs Company has solved every figure problem of the banker!

What better endorsement of Burroughs service to the banks of the country than this letter from W. D. Vincent, President:

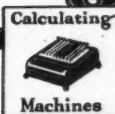
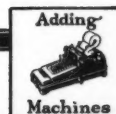
"The Old National Bank is 100% Burroughs equipped. We are using at the present time fifty-eight Burroughs Machines of the different designs suited to the many departments of the bank, including tellers' cage machines, duplex blotter machines, automatic motor returned carriage bookkeeping machines, transit machines, calculating machines and Burroughs Moon-Hopkins Machines.

"Without the aid of these mechanical appliances, it would no doubt be quite impossible for banks to handle the immense volume of business required by present day commercial and industrial demands."

The Old National Bank is typical of the many large banks of the country who are using the various styles and sizes of Burroughs Machines on specific figure jobs in every department.

Read, under the illustrations, what Mr. Vincent says about the use of these machines in various departments of the Old National Bank. Then call your local Burroughs man and let him explain how these machines will make similar savings on similar work in your bank.

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Many interesting and varied tours and cruises of exceptional appeal are offered by the American Express Travel Department for the coming winter. Chief among these are:

Cruise Around the World:—On the magnificent Red Star Liner, *Belgenland*, the largest and most complete and modern ship ever to make the trip. Sailing west from New York December 4th, 133 days. Visiting Havana, Panama Canal, Los Angeles, San Francisco, Hawaiian Islands (Hilo and Honolulu), Japan, China, Manila, Java, India, Ceylon, Egypt and the Nile, Palestine, Naples, Monaco, Gibraltar—with trips, if desired, thru Italy and Switzerland or Spain and France and England.

Under the combined management of the International Merchant Marine and the American Express Travel Dept., respectively, supreme in ship and travel Service, this cruise of the *Belgenland* is the dominating extended travel opportunity of the year.

Luxury Cruise to the Mediterranean:—4th Cruise of the famous S. S. *Rotterdam*—Holland American Line. Leaving New York February 4th, 1925—66 days. Visiting Madeira, Lisbon, Cadiz, Seville, Gibraltar, Algiers, Tunis, Athens, Constantinople, Holy Land, Egypt, Italy and the Riviera. The *Rotterdam* has proven her supreme fitness for the Mediterranean Cruise by three previous, similar tours. Every luxury on land and sea is assured.

South America and West Indies:—6th Annual American Express Cruise Tour. Sailing from New York January 20th, 1925—65 days. Visiting Cuba, Panama, Peru, Chile, Across the Andes, Argentine, Uruguay, Brazil, Trinidad, Barbados, Porto Rico. A most exceptional Tour—Two distinct Cruises in One. All the most interesting countries on both sides of South America. The inspiring trip—Across the Andes. And, in addition—the fascinating Islands of the West Indies, on the way back. The Splendid Pacific Liner—S. S. *Ebro*—going down—The new S. S. *Voltaire* (Lamport and Holt Line) coming back.

In the interest of your patrons, who may seek your bank's advice on matters of travel this winter, let us send you full details on any, or all, of these and other Cruises and Tours—deck plans, itineraries, illustrated booklets, prices, etc. Address—Travel Department of the

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AMERICAN EXPRESS Travelers cheques sales

IN June and July of this year the total sales of American Express Travelers Cheques amounted to more than \$42,000,000.

July alone recorded the largest volume of sales of any single month in the history of travelers cheques—exceeding the sales of July last year by more than \$3,000,000.

These figures tell more forcibly than words, the interesting story of the development and growth of the American Express Travelers Cheque System.

They are indicative not only of the travelers' appreciation of service willingly and competently rendered, but also of the nation-wide cooperation of thousands of banks which have recommended American Express Travelers Cheques to their patrons.

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Norristown's New Hotel

Norristown's Secret of Hotel Success

It started with one or two Norristown leaders who had vision. They foresaw the hotel needs of their city and immediately secured the opinions of experts as to whether or not their ideas were too ambitious for the town.

Their ideas were concurred in and an intensive financing program was outlined to consume one week's time. At the end of four days, however, the required sum was oversubscribed and Norristown (Pa.) gets her new hotel.

Perhaps YOUR city, too, needs additional hotel facilities or more modern accommodations. If so, ask us to place your name, or the names of other civic leaders, on our complimentary bankers list "B-10" to receive each month a copy of THE HOTEL FINANCIALIST, a journal devoted to community hotel finance.

The Hockenbury System Incorporated
Penn-Harris Trust Bldg., Harrisburg, Penna.

Today and Tomorrow

(Continued from page 231)

ment and a trust pamphlet, Mr. Fifth decided that it was in the interest of his family to place his fortune in trust, and he made his will accordingly. Upon his death it was found that his net assets amounted to less than \$15,000. This was an inadequate provision for his widow and four little children. The trust company performed miracles with the trust fund and more than justified the confidence of the testator. Entirely outside of the line of legal duty, the officers assisted a grateful widow in helping the children to gain an education and in placing them in such employments that the family could be held together, with a result that they are growing up and developing into splendid young men and women, and with the aid of the

trust company they so manage their affairs that every child has received at least a grammar school education, and much of the little fortune remains for the protection of the mother. This is a case where the trust company has truly stood *in loco parentis*.

Mr. Sixth was fast losing his money and feared that he would become insane. His family were very much concerned and tried to make some disposition of him for his protection and benefit. He resisted their suggestions and came to the trust company to find out what it could do for him, with the result that he placed his property in a living trust and then begged the trust company to have him declared an incompetent and to become his guardian. This was all done in due course and his condition became so acute that he was sent to the State Hospital for the Insane. One of the trust officers visited him at intervals and procured the active interest in his behalf of the super-

intendent. As a result of care and treatment he improved to such an extent that the trust company consented to his parole, and found him a home in a pleasant family where he resides happily and contented. He refused to be restored to legal competency because of his desire to remain a ward of the trust company and to have its sheltering protection over him. Curiously enough, another of the trust family was in the same hospital at the same time because of her addiction to narcotics. Her husband, a captain in the army, was in France and the trust company procured and financed her stay, treatment and cure and witnessed her restoration to her rightful place in society.

Wayward Boy Saved

MRS. SEVENTH was a school teacher who had been divorced from her husband. She found it difficult to hold her small property and at the same time to rear and educate her only child. She died when the boy was fifteen years old, appointing the trust company his guardian. He was of a wayward disposition but was kept in school for a time. He ran away to San Francisco and found bad associates. After stealing an automobile he was arrested and imprisoned. He then appealed to the trust company for assistance. A trust officer went to San Francisco and by reason of his acquaintance and standing was able to secure the release on probation of the youth.

After a short time a congenial job was found for the boy, who rapidly developed a mechanical talent, and as he became interested in his work he steadied down and forsook his idle and vicious ways. At the end of two years he begged the trust company to assist him to take a course of study at a technical school. This was done and he was graduated this year with honors and has taken employment with a construction company in the line of his training and gives promise of becoming a good man and a successful engineer. His mother did not employ the trust company to do other than manage the property she left, but the trust company employed itself to do for the mother those things which she was unable to do for herself.

A worthless son defeated the efforts of the trust company after Mrs. Eighth had created a living trust of her limited resources. She was widowed and an invalid and found her meager income barely sufficient for her actual needs. She was urged to do otherwise, but reserved a right to revoke the trust although she knew, but did not fear, the influence of her only child. Less than a year after the creation of the trust the son demanded and was refused information relative to his mother's confidential business and immediately thereafter Mrs. Eighth by written instructions terminated the trust and directed the delivery of her property to her son. A trust officer traveled a great distance to converse with her and to try to prevent a dissipation of her slender holdings. Repeated efforts were unavailing and the trust was closed. Within six months this poor invalid was sent to the county poor farm where she soon died. It developed that the son had spent fifteen hundred dollars a month on wine, women and song and was himself penniless at the time of the death of his broken hearted and abandoned mother.

Salvaging an Estate

A SAD but not unusual situation was disclosed when feeble, aged Joseph Ninth died. For some years he had entrusted the investment of his funds amounting to fifty thousand dollars to a supposed friend. Mrs. Ninth was blind and could not assist her husband. His money was loaned on real estate mortgages, but instead of the loans being 50 per cent of the value of the security they averaged more than 85 per cent, and in some instances the entire value of the property was represented by the loan. The trust company, as executor and trustee, discovered that by reason of defaults in paying interest the widow was practically without income. Without foreclosures, with the attendant delays and expense, a trust officer, by cajoling, pleading and threatening, finally succeeded in refinancing every one of the excessive mortgage loans and in placing the grateful and blind woman in easy circumstances. This was accomplished by many visits at night to the homes of mortgagors and by a long series of activities outside the legal requirements of the administration. Had Mr. Ninth's "friend" been appointed executor and trustee the results that would have followed are obvious.

The estates of Col. Tenth and Judge Doe presented many features of similarity. Both men were reputed to be wealthy and both were deeply involved. The Colonel spent the last weeks of his life avoiding his creditors, while the last illness of the Judge was aggravated by attachments and foreclosure suits. In both estates the executors appointed by the will refused to qualify on the ground that the estates were insolvent and could not be financed. The trust company was willing to struggle with the difficult conditions, and with many misgivings undertook the administration. The Colonel left \$400 in cash and no liquid assets, although he owed more than a million dollars, most of which was past due and the subject of vigorous pressure. The Judge left no money and no liquid assets but a choice assortment of litigation.

Two Happy Endings

FIRMLY, methodically and persistently the trust company set about securing cooperation and indulgence from creditors and in preserving the assets of these estates from forced sales and undue sacrifice. The assurance of the trust company that it would carry the administration through to a conclusion, that it would not permit a dissipation of the assets, that it would see to it that all creditors were equally protected, won the confidence and favor of many creditors and resulted in securing ample time to work out the complicated and involved problems. During the time thus gained the improvement in business conditions and a steady rise in real estate values entirely changed the aspect of the affairs of both estates and by good luck and good management all debts were paid and the heirs of the Colonel received a large fortune, and the trust set up by the Judge is now composed of property that yields his family \$3,000 a month. The court declared that a miracle had been accomplished, but the trust company feels that its reputation for fair dealing and diligent action inspired confidence in those who could by patient waiting make



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The "Scythia" is a veritable floating palace, with spacious decks, lounges, veranda cafés, 2 elevators, gymnasium, commodious staterooms with running water and large wardrobes; bedrooms and suites with private baths. The famous Cunard cuisine and service. (Only one sitting for meals.)

Stop-over privilege in Europe without extra cost, returning via S. S. "Aquitania," "Mauretania," "Berenaria," or any Cunard Line steamer.

Rates, deck plans, itinerary and full information on request.
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possible such a happy ending to a four years' struggle.

Mrs. Roe never made a report or an accounting as trustee under her husband's will for the benefit of her children until some of them were grown. She received as trustee in excess of \$100,000 in mortgage loans and bonds. She and her second husband disposed of the securities and used the proceeds to speculate in real estate. When the children came of age and demanded an accounting they were astounded to find that the trust estate was indebted in excess of \$40,000 and that the net value of the property had dwindled by more than a third. Four pending foreclosures gave notice that conditions had reached a most critical stage.

The court removed Mrs. Roe as trustee and appointed the trust company.

Trust Assets Saved

THEN commenced a long struggle to save the trust assets. Again the element of time was a deciding factor. Extensions of time, postponements and delays were reluctantly granted by creditors, buildings were remodeled and renovated, rents were increased, interest rates were reduced, and month by month conditions were improved so that today a small income is being paid to the children and their patrimony bids fair soon to be cleared of debt and possibly ultimately restored to its original value. Trust company management in the first in-

Character

IN building, one specification, unseen and beyond all price, outweighs all others. It is the character, the honor and integrity of the maker and purveyor of the materials with which you build. If you would build well, look to this unseen specification. Buy materials of character from institutions of honor and integrity. There is no other way.



YOUR banking rooms deserve Maas-Neimeyer cabinet work and mill-work, done in the spirit of fine furniture. It will pay you and your contractor to have a Maas-Neimeyer estimate.



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stance would have conserved the interests of these children and would have saved an inexperienced and incapable mother a crushing humiliation and the loss of the confidence and respect of her children.

The history of the last fifty years has amply proved the value of the trust company and has demonstrated the capacity of a corporation not only to properly perform all the legal duties devolving upon trustees but to respond conscientiously to the moral obligations of fiduciary. The growth and development of the trust company idea is the result of the honorable record made by institutions engaged in this important and difficult business. Because the trust companies today transact an enormous volume of fiduciary business in a manner that justifies the confidence and favor of their patrons, the fair promise of tomorrow is for an ever-increasing and expanding business.

Policy Revised

(Continued from page 267)

tective qualities of each system. Two important results of these tests have been (1) to compel improvements in some of the alarm systems in order to raise them to the standards established by the Laboratories, and (2) to necessitate, on the part of the insurance companies, the promulgation of a tariff of premium discounts based upon the relative efficiency of alarm systems as revealed by practical tests. Such discounts on the burglary rate now range from 20 per cent to 35 per cent on partial systems protecting only the outer doors of the safe or vault, and from 50 per cent to 65 per cent on complete systems protecting the top, bottom, all sides and outer door or doors of the safe or vault. No discount is allowed for any alarm system unless it has been classified by the National Bureau of Casualty and Surety Underwriters and duly certified by the Underwriters' Laboratories, nor unless the assured holds a certificate not more than one year old indicating the class and installation of the system.

It seems reasonable to expect that, in general, the Laboratory tests and the certificate plan will bring about a more equitable adjustment of discounts for alarm systems, and will prove a definite step toward prevention of bank burglary and robbery.

The Manager of the National Bureau of Casualty and Surety Underwriters gives the following figures covering the combined bank burglary and robbery experience of the companies for the year 1922, and for the five years 1918 to 1922 combined:

	Years	Earned Premiums	Losses
	1922	\$1,856,391	348,193
Five Years	1922		
	1921		
	1920		
	1919	6,235,809	2,046,964
	1918		

The loss ratio for 1921 was 30 per cent as compared with 19 per cent for 1922, and for the four years 1918 to 1921 the loss ratio averaged 39 per cent as compared with 33 per cent for the five years 1918 to 1922.

Convention Calendar

	DATE	STATE	ASSOCIATIONS	PLACE
Oct.	22-23	Nebraska	Omaha
Oct.	24-25	Arizona	Prescott

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Difficulties and complications in the distribution and settlement of many estates can be avoided by the use of An American Appraisal.

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A generation of experience supports its statements of value and depreciation.

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INVESTIGATIONS

VALUATIONS, REPORTS — INDUSTRIALS, PUBLIC UTILITIES, NATURAL RESOURCES



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Specific services consistently advertised are dependable services. Such advertisements should be as accurate as the bank's published statement of condition.

For years we have been advertising these distinct advantages which our correspondents enjoy.

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All items received at par.

**THE
PHILADELPHIA
NATIONAL
BANK**

Capital, Surplus and Profits, \$16,800,000

Railroads Best Spenders

(Continued from page 221)

and therefore they have to seek their funds for betterments and improvements very largely as individual merchants do—by borrowing or by selling an interest in the company. To accomplish such financing, confidence is essential. The prospective shareholder or bondholder must be made to feel that he is placing his money not only in an essential business but in a paying business as well.

Public Can Make or Break Railroads

BUT who must create this feeling of confidence? Who says whether or not the railroads shall make money? The entire income of the railroads is determined by the Interstate Commerce Commission, a Government body, which sets the rates they may charge for their services, and more than half of their outgo, the wages paid to labor, is determined by the Railroad Labor Board, another Government agency. The people therefore control all of the income of the railroads and more than half of their outgo. To say that railway regulation determines three-fourths of the financial standing of the railroads is to put it mildly. The return earned by the railroads is so largely controlled by the relationship between what the Interstate Commerce Commission does and what the Railroad Labor Board does that railway credit is almost entirely dependent upon their thoughtful, well-considered and carefully coordinated action.

The public therefore can make or break the railroads, not merely because of its direct control over the railroads, but primarily because it has such a complete although indirect control over railway credit. This power has not always been wisely or foresightedly exercised by the public in the past. The idea behind most of our railway regulation has been to safeguard public interest immediately, without any apparent thought to the future safeguarding of public interest by building up strong railway credit. That is why the railway manager of today, in order to safeguard railway credit, must be a student of humanity and of world conditions, even more than a student of the science of railroading. There has been something fundamentally wrong in the attitude of the public toward the railroads in the past, and it is not to be cured by fighting fire with fire. Railway regulation is here to stay. In many of its phases it is a desirable thing. To oppose it in its momentarily mistaken phases is, it seems to me, largely a waste of time on the part of railway managers. Such faults as railway regulation has are the faults of public misunderstanding, for which railway managers themselves have been largely responsible in the past. The root of the trouble must be reached, and then the trouble will disappear.

What we need is intelligent preparation for the future. The public must be encouraged to develop railway credit, which is a phase of national thrift. The man who will lay aside his own dollars for a



rainy day certainly ought to support candidates for office who are pledged to do the same thing nationally by allowing a fair return to the railroads that will develop their credit and give us better railroads all the time. There is no more mystery about thrift in its national aspect than there is about thrift individually. It is just a case of looking to the future and cutting down a trifle on present enjoyment. We invest—somewhat sparingly, it is true—in an army and a navy, not because we feel that they are needed right now, but because we realize that, until human nature changes greatly, they will be needed sooner or later. If we have no concern for the future, we might as well spend the army and navy money for something else or leave it in the pockets of the taxpayers. If we have no concern for the future, likewise, it will be all right for us to hold down the return earned by the railroads to a point that will ruin their credit, but we must not later complain that we do not have the railway efficiency we ought to have.

If We Continue to Have Good Railroads

THE public must be educated as to the broad principles of national thrift if we are to continue to have good railroads under private operation. To spread such understanding is the most helpful thing that bankers can do for sound railway credit—and, therefore, for good railway service. The public is best serving itself when it treats the railroads well and it is hurting itself more surely when it seeks what at most can be but a temporary advantage for itself at the expense of the railroads. What is best for the railroads is best for the nation.

There is, of course, an alternative urged by some. That alternative is Government ownership. It likewise can be supported or opposed on broad principles and on patriotic grounds. The broad principle is whether or not our people desire more Government in business and eventually all Government in business, which is communism. The patriotic grounds to be considered are those of the greatest good for the greatest number, which constitute the essential principle of democracy.

Our nation has developed as the great defender of the rights of the individual. Private property is the cornerstone of our industrial structure. Our precedents have consistently been opposed to encroachments by our Federal, State, county and municipal governments into the fields competitively served by private business. We have had to regulate many private businesses, including the railroads, but we have always managed to avoid confiscation. We have never favored Government ownership as a national policy, and therefore we have never been called upon to decide definitely just how far it should go. If the railroads are taken over by the Government, we must face the fact that the big step in reversing our old and settled policy will be taken and that there will be no stopping the force once we have let it loose. If there is no particular reason why the Gov-

SUGAR

MICHIGAN is exceeded only by two states in the growing of sugar beets. Last year 815,000 tons of sugar beets were grown in this state.

From these beets 110,000 tons of pure sugar were produced and marketed.

This bank is an important link in the manufacture and distribution of sugar. It offers unequalled facilities for serving those having business in the Great Lakes Region.

FIRST NATIONAL BANK

DETROIT MICHIGAN

The First National Bank, the Central Savings Bank and the First National Company of Detroit, are under one ownership.

ernment should not own and run the railroads, is there any reason why it should not take over also the banks, the stores, the factories, the farms, until all of us are Government employees and the ideal of the soviet is attained?

The railroads are in the first line of defence against those who would make this country a second Russia. The largest business enterprise of our Government at present is the Postoffice Department, which has about 300,000 employees. The railroads have about 2,000,000 employees, more than six times as many as the Postoffice Department. There are approximately as many employees on the railroads now as there are in all the Government services—

Federal, State, county and municipal—put together. If the railroads are taken over by the Government, there will be one Government employee out of every ten wage earners in the country, instead of one out of every twenty, as at present. If this one great step is taken into Government ownership, how can any other industry in the country feel that it is safe?

Then, too, there is the matter of taxation. In spite of the reduction just put into effect, the Federal taxes are still far from light, and there are heavy taxes collected by the States, counties and municipalities. The railroads, under private ownership, are among our heaviest taxpayers. Last year they paid taxes amount-

GENERAL MOTORS ACCEPTANCE CORPORATION

NEW YORK CITY

August 30, 1924

Capital \$9,000,000
Surplus & Undivided Profits . . . 4,448,691
Total Resources \$87,365,344

DIRECTORS

CURTIS C. COOPER, *President*
 ALBERT L. DEANE, *Vice President*
 IRÉNÉE DU PONT, *President, E. I. du Pont de Nemours & Co. and, Director General Motors Corporation.*
 LAMMOT DU PONT, *Vice President, E. I. du Pont de Nemours & Co. and, Director General Motors Corporation.*
 PIERRE S. DU PONT, *Chairman, E. I. du Pont de Nemours & Co. and, General Motors Corporation.*
 O. H. P. LA FARGE, *General Motors Corporation.*
 JOHN J. RASKOB, *Chairman Finance Committee, General Motors Corporation; and, Director E. I. du Pont de Nemours & Co.*
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JOSEPH L. MYERS
General Manager, Financial Sales Department.

THE obligations of this institution are regarded as an appropriate and sound medium for short term investment by a large banking clientele. They may be obtained in convenient denominations and suitable maturities.

Address Financial Sales Department at any office.

EXECUTIVE OFFICES

224 WEST 57TH STREET, NEW YORK CITY

BRANCHES

ATLANTA	DAYTON	NEW YORK
BOSTON	DENVER	PHILADELPHIA
BUFFALO	DETROIT	PITTSBURGH
CHICAGO	KANSAS CITY	PORTLAND, ORE.
CINCINNATI	LOS ANGELES	ST. LOUIS
CLEVELAND	MINNEAPOLIS	SAN FRANCISCO
DALLAS	WASHINGTON, D.C.	
LONDON, ENG.	TORONTO, CANADA	

ernment ownership can be accomplished only by paying a fair price for the properties taken over. You will understand, therefore, that I do not oppose Government ownership of the railroads on behalf of the present owners of the railroads, many of whom would obtain safety in Government bonds in return for securities which have not paid a return in years.

I oppose Government ownership of the railroads because I believe that it would be bad for our people as a whole. It would open the way to Government ownership of everything, and at the same time it would certainly lead to the wrecking of our highly essential railway service, if the lessons of experience offered by other nations mean anything at all to us.

It would be hard to keep politics from influencing promotion on Government railroads, and it would be hard to have expenditures directed without thought of political expediency. With competition abolished, the incentive to render satisfactory service would very largely be gone. What would happen to the morale of the employees and to the confidence of the people in the railroads would not be hard to imagine. That operation would be much more costly would be inevitable, for the necessity of making a satisfactory showing as to earnings would no longer be recognized. If the receipts equaled the expenditures, without consideration of a surplus for paying indebtedness or applying on depreciation, the success would be greater than that achieved on most Government railroads and the certainty of having to go into the public treasury to pay for improvements would not be considered a failure.

From the standpoint of rates, wages and earnings, Government railroads nowhere in the world can be compared with the railroads under private management. If private purchasers could be found, many Government railroads would be turned over to them today. Under the reparations settlement, Germany has recently voted such a move. Italy has been looking for such an opportunity for some time. Great Britain returned its railroads to private ownership promptly after the war. In France, the only one of the seven great systems losing money in 1923 was the one owned by the State. In Canada, which is our handiest example, Government railroads have a long history of failure, and in 1923, when a slight earning was noted, the Government road making it had higher rates, lower wages and a much smaller return than its largest privately owned competitor.

The experience of others should teach us that ventures into Government ownership of railroads do not pay. The intelligence of the American people certainly can be trusted, it seems to me, to profit by the lessons thus held up before it.

We cannot afford to experiment with our railroads. They are among our most valuable possessions. Many other nations envy us them. Treated fairly and encouragingly, they will pay us returns many fold in the service they will render the constantly increasing property of our nation in the years to come.

ing to \$3 for every man, woman and child in the country. In some counties, particularly in the Middle West, the railroads pay from 10 per cent to nearly 50 per cent of the taxes collected. Under Government ownership, the railroads would be no more subject to taxation than the postoffices now are. In some way the Government would have to make up the difference of \$3 a head for every person in the country. In many counties the taxes on the remaining property would have to be nearly doubled. The result would be an unbearable burden that might force many of our local Governments to stop payments on their bonds and to go into bankruptcy. The tax problem would be a great deal more vexatious than it is today.

Then, too, the acquisition of the railroads would add more than twenty billion dollars to our national debt, already the largest ever carried by any nation no longer in existence than ours. If Government railroads in this country were no more successful than they are today elsewhere in the world, the interest on that twenty billions of purchase price would be the cause for additional burdens on the taxpayers left to carry it. As the tax burden developed, it would not be surprising to see other industries welcoming Government ownership for themselves. They would gain immunity from taxation in turn, and their owners probably would be protected from loss. The Constitution prevents the confiscation of private property, and Gov-

Reducing Hazards

(Continued from page 265)

of a common interest in a common protection against both inside and outside hazards. In existing clearing houses much has been done which should invite emulation. Joint surveys have been made of the banking premises of the members for protection against burglary. This was followed by the installation of an intercommunicating commutator system of burglary alarm, connecting all the banks with each other and the police station or other outside central.

In settling exchanges between banks, clearing house settling checks and gold funds have supplemented the carrying of currency by messenger.

In a large number of well organized clearing houses, member or associate banks have been helped through trying stresses by a common guaranty fund and advances of cash as needed. Weak banks have been enabled to continue daily clearings upon depositing collateral with the clearing house, when under the individual system it would have been difficult or impossible.

Mass psychology is best met by publicity under control of clearing houses where many aspects of public relations can have the consideration of all the banking mentality locally available. Thus the announcements of regulations affecting the public, or rates and bases of compensation, may find general public acceptance without hurtful reaction, when the accompanying publicity is handled by a clearing house committee having a broader contact with the public through the represented bank boards, than would be possible to any individual bank.

WHEN a clearing house has operated well for a few years the next step is a system of mutual examination. The association employs an examiner who alone or with assistants conducts a more or less continuous examination of the members, under such confidential regulations and restrictions as the association may direct.

The value of this system has come to be generally recognized. It is realized that the public examiners function for the protection of the public—the depositors; the independent auditor or inside examining committee for the protection of the stockholders; the clearing house examiner covers both of these incidentally, but primarily his office is to protect the entire banking situation for the benefit of all the banks.

It is a system of mutual assurance, common assistance, and community discipline. It aims to make common counsel a concrete thing, and to get down to cases in the exchange and concentration of judgment on local values. Every community of banks should intelligently aim at the accomplishment of these things, as its goal. The clearing house examiner idea is available to bring it about.

Applying the examiner plan to counties is the newest development, but a promising one. It has been suggested that units of say \$25,000,000 in deposits in Central Western States would have to be aggregated to base the service, and the cost would average \$25 per \$100,000 of deposits per year on a graduated scale. In some instances

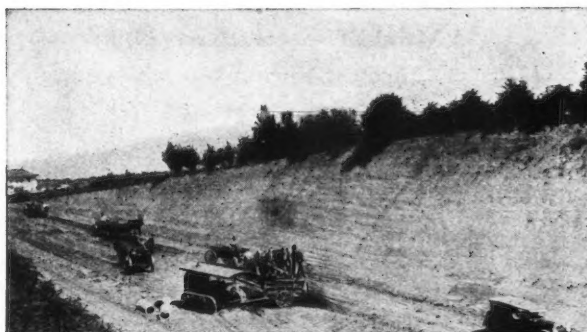
this would require the association of two or three counties. No definite figures can be laid down, however, but local conditions will have to govern.

An examiner, and in many cases one or more assistants together with suitable office and vault room for files, will be necessary.

ALL that I have stated is by way of answering a common question among bankers today, which is "Shall we be allowed to run our own business?" Are the lawmakers, the theorists, the visionaries going to take the helm away from the practical banker and run the ship ashore? My answer is, "they are!" They are—unless banking becomes a profession with

ethical motive, and, above all, with a solidified common counsel, a closely organized group possessing a common confidence in itself and ready to battle as a unit for its accepted principles.

The banking associations have carried us far on the way toward that common intelligence we have needed and have furnished the open form for interchange of discussion. We have theorized and speculated; we have argued and debated. Now the clearing house is to become the workshop where, with our union card, our blue prints and the tools of our trade, we shall show that quality of craftsmanship which shall earn and hold for us the confidence of each other and the public.



Best Tractor Paper

Approved by Bankers

"WE have never been obliged to foreclose on any customer to whom we have sold a Best Tractor," a dealer writes, "and to the banks in our territory a sale of a Best Tractor is a good investment."

The painstaking care with which dealers check the credit of prospective purchasers of Best Tractors accounts in part, for the few repossession of these machines and the general soundness of Best Tractor Paper and bankers' approval of it. The fact that the purchasers of these machines can make money enough with them to meet their payments is a more important factor.

C. L. Best Tractor Co.

General Offices—Factory
San Leandro, California

Factory Branch—Warehouse
St. Louis, Missouri

SALES OFFICES

San Francisco—127 Montgomery St. New York City—50 Broad St.

67-1024

BEST TRACTORS

A Member Federal Reserve Bank
Member Chicago Clearing House Association
Total Resources, \$16,500,000

Growth of Deposits

September 6, 1910 (Opening Day).....\$	275,103
September 6, 1911	3,953,053
September 6, 1914	5,185,374
September 6, 1917	8,549,327
September 6, 1920	10,166,055
September 6, 1923	12,201,043
September 6, 1924	14,428,979

Commercial, Savings, Trust, Bond and Real
Estate Loan Department; Safe Deposit Vaults

President.....CHARLES S. CASTLE
Vice-President.....WARD C. CASTLE
Vice-President.....ROBERT M. CAMPBELL
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Auditor.....JOSEPH C. BARTH

STANDARD TRUST & SAVINGS BANK

112 West Adams Street
STANDARD TRUST BUILDING
Chicago

Agriculture and Business

(Continued from page 211)

In the next ten year-period, 1890 to 1900, the farmer got as high as 50 cents and as low as 21 cents, and in 1900 to 1910 as much as 60 cents and as low as 39 cents, and in 1910 to 1920 as high as \$1.36 and as low as 48 cents. I could go on through with wool and cotton and other crops and show comparable conditions.

That is the unstable condition in agriculture. It is not a case of war; it is not a case of the farmer not being efficient. It is not a case of speculation or the purchase

of automobiles. It is lack of a sound business basis upon which to base operations. The average farmer (and I say this in all respect) has to know more about his business than bankers have to know about theirs. He has to know feeding, he has to be a veterinarian, a good buyer, a good seller; he has to know crops, blood lines, about balanced rations, to be efficient and on the job, and know seasons and weather, and everything else that has to do with his business.

Dependence on Farmers

WE are depending upon this farmer to go out and grow wheat for us next summer that we may eat, to produce wool that we may be warm the following winter, to

raise cotton for our clothing, to grow corn that we may have beef and pork, and when he tells us he will have to furnish his plant (his farm), pay his labor, do all the work, finance himself and carry this till next October, and then asks us what price we are going to give him for the wheat and the corn, we tell him the law of supply and demand will fix that; that we will fix the price when he delivers his wheat at the end of the year.

There is no possible way of guaranteeing the farmer a profit. I am not for it. It is not sound. There are too many kinds of farmers and too many types of land and too many different conditions, as his success or failure must depend upon his efficiency. I do not think it is practical to fix prices, as it is generally understood. But I believe there is a way, or in any event there must be found a way, to interpret to this farmer the law of supply and demand. He must live in accordance with it. If we want 600,000,000 bushels of wheat, and we are only going to give 50 cents a bushel for it, let us tell him so in advance. It is not morally honest for us to eat wheat at half or two-thirds of what it has actually cost the farmer and in that way keep his children out of school and prevent him from having an American standard of living. Outside entirely of whether it is morally honest, it is not enlightened selfishness. When this farmer goes broke and cannot buy his car, cannot buy shoes, cannot buy lumber for new buildings, all the way down the line there is a let-up, and the factories close down.

No Subsidy Proposed

I PROPOSE no subsidy. I do not believe in it, and never did, not even for the shipping people. But those who believe in the present tariff law are supporting the greatest subsidy that has ever been known in the history of the world. But when something is proposed that may be helpful to the farmer, it is called a subsidy or the fear is expressed that relief for the farmer will make it a matter of politics.

Why should not the farmer's problems be in politics? But there can be a system worked out that cannot be used by the politicians, that the demagogues and the politicians, and those who are working the farmer for their own advantage, misleading him, attacking the Federal Reserve System, because it has been popular to attack it, one of the greatest pieces of legislation we have, without any regard to what harm they are doing, shall not make the legislation. Banks and those they can call together should say, "This is a duty, this is an obligation, this is a thing we will do in the interests of our business, in the interests of our communities, in the interests of our nation," and really devote themselves to putting agriculture upon a business basis. It is your salvation. If you do not, you may expect to go through again what you have so recently experienced.

I have no more sympathy for the farmer as a farmer than I have for the laborer as a laborer, for the miner as a miner, or the banker as a banker. But I am sold 1,000 per cent on the proposition that what affects the farmer affects business, and what

"SEEDS THAT GROW" TO STIMULATE THE GROWTH OF A PROGRESSIVE BANK



**Five
Giant
Zinnias**

GIANT
YELLOW

GIANT
ROSE

GIANT
PINK

GIANT
PURPLE

GIANT
SCARLET

Compliments of
The Federal-American National Bank
WASHINGTON, D. C.

Make People Think of Your Bank Intelligent Advertising Will Do It

A practical advertisement is one that not only benefits your bank, but also your community. In our Bank Service Department we are assembling, especially for banks, a collection of five Giant Mammoth Zinnias. The blooms often reach five inches in diameter.

These collections are being used extensively by banks to distribute in their communities to encourage the beautifying of homes. The bank asks each person who receives a collection to exhibit in the bank (on a date to be determined by the bank) a bouquet of ten flowers, two of each variety grown, and offers cash prizes for the best three collections. These specimens artistically arranged in your bank will produce a most brilliant and attractive display and will be long remembered and discussed.

A real advertisement is one that causes people to think of you and then express those thoughts to others. Can you think of anything that would be more likely to bring about this situation regarding your bank? The above cut is a sample of the outside cover of the seed collection bag, each flower of the collection being represented. The name of your bank will be printed thereon as per sample. Delivery will be made in January, 1925, unless an earlier or later date is requested. When we accept your order for this collection we agree not to sell this collection to any other bank in your city for the year 1925.

Prices, delivered: 100 collections, \$35.00; 300 collections, \$100.00; 1000 collections, \$325.00; 5000 collections, \$1600.00.

If further information is desired, write our Bank Service Department.

W. ATLEE BURPEE CO., BANK SERVICE DEPARTMENT, PHILADELPHIA, PA.

Read about the Vegetable Collection on the next page.

"SEEDS THAT GROW" TO STIMULATE THE GROWTH OF A PROGRESSIVE BANK

Five of the Finest Vegetables



Compliments of

The Federal-American National Bank
WASHINGTON, D. C.

A Home Garden Often Starts a Bank Account It Encourages More Saving and Less Spending Wealth Follows Production

In our Bank Service Department we are assembling collections of vegetable seeds, used extensively by banks to distribute in their communities to encourage the growing of Home Gardens.

It is an easy matter for a banker to see the results that will follow his efforts along this line. Saving is the first thought that presents itself, and saving is the first step toward a bank account.

The above cut is a sample of the outside cover of the Seed Collection Bag, and the name of your bank will be printed thereon as per sample. The collection consists of one packet each of the five varieties shown, namely: Beets, Cucumber, Turnip, Radish, and Lettuce—five varieties that should be in every home garden.

Price per 100 collections, \$35.00; 300 collections, \$100.00;
1000 collections, \$325.00; 5000 collections, \$1600.00.

Write our Bank Service Department for complete outline of distribution.

"BURPEE'S SEEDS GROW"

W. ATLEE BURPEE CO., BANK SERVICE DEPARTMENT, PHILADELPHIA, PA.

Have you read about the Flower Collection on the preceding page?

affects business affects labor. If it is to the advantage of the farmer, and he has a purchasing power enabling him to enjoy an American standard of living, and that he must have, it is to the advantage of all business. If he suffers hardship because he cannot foresee what the prices will be that you and I are going to pay for the things that we eat, and he only gets two-thirds or three-fourths or four-fifths of what it actually costs him, and his purchasing power is reduced, and he is out of the market, business is out, then labor is out, and we have bank failures, and so on down the line.

So may we not take an interest in this and see if we cannot in some way indicate to the farmer that he had better not grow this crop, that he had better not grow that, that he could better devote his efforts to some other crop—and do it before the fact—instead of after the fact?

But let us know whether we are giving the right advice. Did we know whether we needed to increase the milk and butter fat products of the country? Did we act with full knowledge of the situation?

Is there not some way that we can bring together this question of supply and this question of demand, and if we want to pay more for something, tell the farmer so? If we are getting too much of a certain crop let us tell him we will not give so much and that will discourage some of them and they will go out of it, but—with their eyes open instead of through bankruptcy.

Defending Banks

(Continued from page 266)

running and ran up to the door, ducking below the window. At the door they pulled up their handkerchiefs, which were tied loosely around their necks.

"Stepp at once ran for help and a gun. Mr. Lapsley, who happened to be coming towards the bank, observed them pull up their handkerchiefs at the door. Mr. Lapsley then started on a dead run for his home two blocks away to get his gun. It was told me afterwards that he passed some men on the street and said, 'Boys, they are holding up the bank.'

"If all towns had as brave men as we have here, bank robbing would be a thing of the past. You can understand the remarkable marksmanship that was displayed, when I tell you that in our struggle at the back of the bank the men took several shots at the robber, but were very careful not to hit me. The robber got a shot in his right arm and a glancing shot in his left.

"All during the shooting and fighting, I felt confident I would get the best of my man. I felt that the man would not shoot me, and like all Western women did not lose my nerve. Bank robbers, as a rule, are cowards and if one shows that they are not afraid of them they will lose their nerve.

"I hope this will give you a good picture of how a woman, and not a large one at that, captured a bandit, and last, but not least, do not forget that it was with the splendid help of the men here!"

FOR three generations the National Shawmut Bank has been a constructive force in the financial, commercial and industrial growth of New England. It is also one of the largest financial institutions in the East. Connections with institutions of the highest standing in all large cities of this country and abroad.

THE NATIONAL
SHAWMUT BANK
40 Water Street, Boston



WHY "THE MARINE"

IN Buffalo when you talk bank the first thought naturally is the "Old Marine" with its one hundred and fifty millions of assets and its record of seventy-four years of service.

When you think of Buffalo remember that the largest and oldest commercial bank on the Niagara Frontier is waiting to serve you.

MARINE TRUST COMPANY
of BUFFALO

Capital and Surplus \$20,000,000.00

WALTER P. COOKE
Chairman of the Board

ELLIOTT C. McDOUGAL
President

NEMO IN PATRIA SUA PROPHETA EST NADIE ES ALCALDE EN SU PUEBLO

So run the old Latin and Spanish sayings meaning that our abilities are never fully recognized in our own country. Like all proverbs there is one general exception which proves the accepted rule, and that is the Banking Business, where intimate knowledge of the people and country is a prerequisite to success.

The secret of our successful handling of collections is the fact that we know drawees intimately and are therefore in a unique position to safeguard your interests.

BANCO DE PONCE
PONCE, PORTO RICO

Advertise your business - but keep your private affairs to yourself

DON'T shout when talking into the telephone. Put a Whisper-it Mouthpiece in place of the one now on your telephone and you can talk in natural low tones, *even whisper*, yet be perfectly understood by the listener at the other end of the wire — *and by him only*.

And the Whisper-it is sanitary — only highly polished glass can touch the lips. Safeguard your confidential conversations.

Send a dollar now for a Whisper-it Mouthpiece for your telephone. Money back if not satisfied.

Live Agents Wanted



Bankers at the Chicago Convention, left to right: Heyward E. Boyce, president, Drovers & Mechanics National Bank, Baltimore; Raymond F. McNally, vice-president, The National Bank of Commerce, St. Louis; Joseph S. Calhoun, president, First National Bank, Cartersville, Ga., and John D. McDowell, president, Fidelity Bank & Trust Co., Memphis, Tenn.

Condition of Business

(Continued from page 256)

ing permits issued, which tend to precede the letting of contracts by several weeks, the totals have actually fallen below those of last year.

The Department of Labor index of building material prices, after declining 7 per cent between April and July to the lowest point in more than two years, was unchanged in August. Building wage rates were likewise unchanged, but bonus payments have practically disappeared in recent months.

Factory Employment Larger

THE number of workers employed in manufacturing increased slightly in August for the first time since March, and average weekly earnings increased 4 per cent, reflecting a reduction in part time employment, according to the Department of Labor. Reports in September indicated a further gradual increase in factory employment in some sections, but a tendency for out-door work to diminish. The chief increases in employment occurred in industries where it had been most curtailed, such as iron and steel, automobiles, some branches of the textiles, the furniture and piano industries, and plants producing leather, shoes and leather goods. The decreases in employment, on the other hand, were chiefly in the building material industries, which have heretofore been active, in the knit goods and hosiery mills, and in the food industries. Road construction continued large, and building labor was actively employed, but a surplus of com-

mon labor continued in some sections and the demand for farm labor has declined somewhat, so that despite the moderate increase in industrial activity employment offices generally continued to find it difficult to place applicants for work.

THE recent revival of railway equipment buying was consistent with the improvement in railroad earnings. Reports for August available at the end of September showed an increase in gross earnings over July, but a decrease as compared with August, 1923, the changes in each case being in keeping with the fluctuations in traffic movement. Due to increased operating efficiency, however, net earnings were slightly larger than last year, when approximately 5 per cent was earned on the tentative valuation was fixed by the Interstate Commerce Commission. The further expansion of traffic in September was expected to produce earnings which would approach still more closely the "fair return" of 5 1/2 per cent.

Have We Avoided Inflation Entirely?

We have generally been congratulating ourselves upon our having avoided inflation in the face of increased gold imports and low money rates. It should be realized that inflation is of various sorts, and that, while commodity inflation may have been avoided during recent months, we have not entirely escaped some of it in other markets.—"Business and Financial Review" of the First National Bank in St. Louis.

McClintock
"GRADE
BURGLAR
ALARM" **A**
THE HIGHEST GRADE

THIS IS THE HIGHEST GRADE SYSTEM REQUIRED BY THE INSURANCE UNDERWRITERS AND THE HIGHEST GRADE SYSTEM PASSED AND LISTED BY THE UNDERWRITERS LABORATORIES, INC.



"THE OUTWARD SIGN OF INWARD SECURITY"

SEND TO US FOR INFORMATION ABOUT VAULT CLASSIFICATIONS

O. B. MCCLINTOCK CO.

PAID UP CAPITAL MORE THAN \$400,000.00

MINNEAPOLIS, MINNESOTA

30 CHURCH ST.
NEW YORK

847 SANTA FE AVE.
LOS ANGELES

COPYRIGHT 1924 O. B. MCCLINTOCK CO.

WE HAVE MORE COMPLETE ELECTRICAL LOCAL BANK BURGLAR ALARM SYSTEMS THAN ALL OTHER COMPANIES COMBINED.

Making Securities Secure

(Continued from page 225)

This seventy per cent includes for the most part the more responsible elements of society—bankers, manufacturers, professional and business men. The minority that does most of the voting is generally radical in its thought; for there is something of a dynamic character in radicalism which compels its victims to act. On the other hand, the person of more sober and conservative thought is prone to "take things easy" until he is shocked into consciousness of responsibility by a catastrophe of some sort. Bankers, manufacturers and business men have been so absorbed by their individual responsibilities and problems in connection with their own selfish interests that they are in general really uninformed as to what is going on about them. They do not get disturbed until after election when the various legislative bodies get into characteristically bolshevistic action. Then they can get together quicker and pass more denunciatory resolutions than anybody.

THERE is too much static in our citizenship. The universal passion for wealth, ease, amusement and pleasure threatens the very life of this nation. Real work has become the most unpopular thing of modern times; and the virtues of self-denial and sacrifice, by which only genuine character is builded, are not often seen. The discontent of most foreign countries is the discontent of poverty. Ours is the discontent of wealth. When our people satisfy their craving for luxuries, they do not have much left for the necessities of life. In some vital respects the peoples of Europe have an advantage over us in that they are receiving lessons in sacrifice and other virtues growing out of their distresses which will ultimately make them strong and very difficult for a nation softened by self-indulgence to compete with.

It is, of course, the normal and altogether commendable desire of the common run of people to obtain for their protection against the inevitable invasions of infirmity, disability or other misfortune, as many as possible of those securities which bankers recommend as gilt-edged. In many, all too many, the desire has become a consuming passion, which is never satisfied with mere protection, but which craves inordinately those surpluses upon which unholy appetites may gorge themselves in idle self-indulgence. And it is not confined to the so-called plutocratic class. On the contrary, every stratum of society is more or less infected, and the point of emphasis in our national life has been so switched that "getting" has become our chief business, and "giving" only a neglected pastime. This is the indubitable basis of the implacable discontent whose rumblings disturb our peace.

IT is a moral and not an economic condition. It can not be successfully met by political quack doctors with legislative patent medicines. Nor should we delude ourselves that the mere election of honest and capable men to all the public offices in the land will solve all our vexing problems. That would

help immensely and is a goal worthy of every citizen's best effort. But economic and political conditions are not going to change very much for the better for very long until the masses of the people themselves change by shifting the point of emphasis in their lives to where it belongs. We simply cannot become a happier people until we become a better people. That is the law of life, and six thousand years of recorded history have not revealed an exception to its mandate.

For the next several months at least the principal business of every responsible citizen should be to help make the securities already obtained secure by restoring our government to its constitutional orbit, by repairing our creaking social structure upon

which the stability of all government and all securities rests, and by re-establishing respect for law and constituted authority.

There is much to be done if America is to escape the fate of those ancient and modern nations which have fallen under the weight of their own dissolute practices and habits. It is not a task for simply the preachers, teachers and statesmen. It is for the big corporation executives, bank and railroad presidents, the great and small, rich and poor—every native and naturalized American who knows the difference between right and wrong. The first step is to become thoroughly informed and interested. That will induce the fixing of a right individual attitude. Other things to do will become increasingly manifest. It is time to begin.

"Mercantile Service"



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Do Not Amend National Bank Act

By S. M. MCASHAN

Vice-President, South Texas Commercial National Bank, Houston

WITH the Federal land banks lending on land, the trust companies, building and loan associations and many financing companies engaging actively in real estate loans, the field is pretty well covered, and provision for all reasonable requirements necessary to borrowers is taken care of. On the other hand, the competition national banks are encountering is serious. These are the two standpoints from which any amendments broadening the pow-

ers of national banks should be considered.

When money is easy, a bank holding substantial amounts of carefully made first mortgage real estate loans can find individual investors or other outlets for such loans when the bank wishes to relieve itself of them. In times of stress it is difficult to find buyers except at sacrifices.

There have been a number of large and important national banks which have retired from the national bank system and taken

state charters because of the broader privileges afforded, and it has been said by important authorities that unless the National Bank Act is amended to permit freer range in meeting competition, more banks will follow.

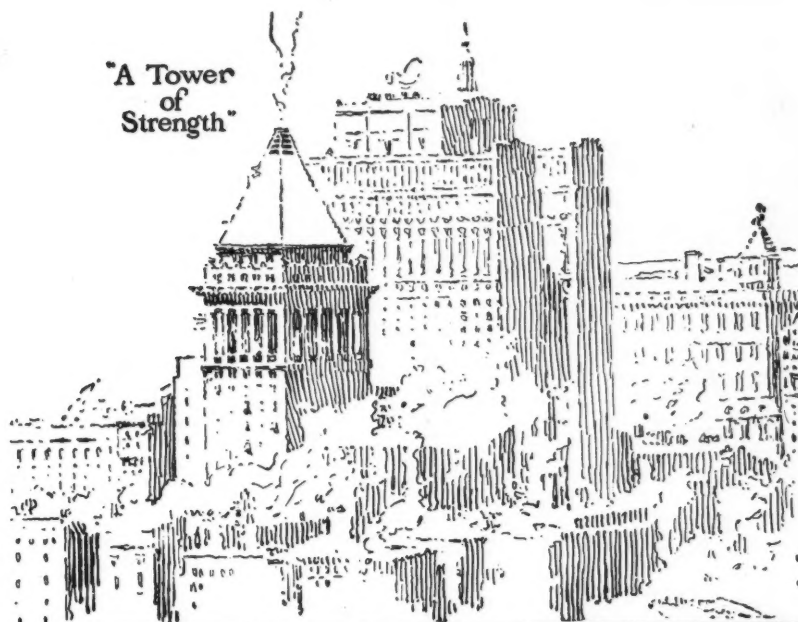
National banks should, as far as possible, confine their investments to liquid and quick paper, to commercial banking with the privilege which they now enjoy of purchasing bonds to offset their time deposits and such surplus funds as they may have. Maintaining a definite ratio between real estate loans and investments in government and other bonds is not practicable. To many people engaged in banking, the written letter of the law suggests the doing of the thing itself; that is, many bankers believe the law invariably to be wise and, therefore, that they should do the things the law authorizes. Often banks will find it much more to their own interest and to the interest of their customers to refrain from the purchase of bonds at all, and again, under other circumstances and prevailing conditions, the same banks may find it very desirable to buy heavily of selected securities readily marketable. I do not believe hard and fast rules of ratios a good thing to have in laws because laws are, in the nature of things, inflexible.

There are many banks in the system, the managements of which are such they could be depended upon not to involve their banks in difficulties by taking into their portfolios too heavy a load of unliquid paper, but there are also no doubt a great number which could not be depended upon to so safeguard the interests of their depositors whose funds are payable on demand. Many unsecured loans are made by banks now, and have always been, the maker of which is an owner of real estate exclusively and not the owner of any form of ordinary bank collateral. Such loans are indirectly against real estate, and while good are slow; they are legal now. Large amounts are lent now by national banks against the security of vendor's lien notes, and, where properly made, I believe, pass without criticism from the comptroller. To add to such loans an appreciable percentage of the capital or deposits of a bank invested in long time direct real estate loans might make many banks topheavy on this class of loan.

It is very difficult to pass laws that will apply with equal accuracy and safety all over the nation. Yet that is what must be done where any amendments to the national bank act are proposed.

While it is true that there is almost always a market at around 75 per cent or better of conservative appraisal on almost any real estate in slow growing substantial cities and districts, we all know of the inflated values current in fast-developing, over-built places, where lands and realty are not salable at times at anything like 50 per cent of their appraised value. It is also true that bank officials and managements are too often influenced by civic pride and do not steer clear personally of speculations in real estate under concealed identity, which has the effect of producing a bad condition in many banks and with further latitude might confidently be counted upon to make things worse.

I believe the statutes on this subject should
(Concluded on page 293)



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National Banks Note Privilege

(Continued from page 264)

sure that a great majority of them desire to continue the circulation they now have. It is probable that they would be about as well pleased if the 4 per cent bonds were refunded at a 2½ per cent or 3 per cent rate and given the circulation privilege. The desires of national banks would thus be recognized and the fiscal policy of the Government would not be made to suffer if money could be secured at those rates and practically the present profit on circulation continued to the Government each year.

In point of service I am among the oldest bankers in my state, having been born in the sticks of North Carolina surrounded by cornfields, cotton and tobacco. At the age of twenty I entered the banking business in my native county, and since that time I have organized and become interested in fourteen state and national banks, the majority of which have been in operation from fifteen to thirty years and all located in small country towns, with the exception of one.

Therefore, I have had some experience at least in what we term "rural banking," and this experience has taught me, beyond question, that the farmers and country people have more confidence in a national bank than in a state bank, and this confidence has been brought about, largely, from the circulation in the several counties of national bank currency. It would have been my preference in every case to have organized a state bank, as the laws of North Carolina governing them are much more liberal and allow many privileges, too numerous to mention, over that of national banks.

The National Government must not overlook the fact from a standpoint of numbers that there are more national banks situated in the rural communities of this country than in the cities. The rural district (because it is the farmers' dwelling place) is the backbone of us all; hence I am sure the Secretary of the Treasury (the great business man that he is) does not and will not make a move that is calculated to disturb the business interests of the national banks and the people they serve.

Uncle Sam is all wise and good, and I fully believe that if he will stop and consider that 92½ per cent of all the business transacted in the United States is done on credit and that the underlying basis of credit is promoted by and through banks that he will not take the last vestige of identity from national banks which will detract or subtract from their success and solvency, for banks are the arteries through which credit flows.

There were two conferences during the convention that brought forth thoughtful papers on the part that clearing house examiners and bank auditors play in banking. On Sept. 29 Charles H. Meyer, chief examiner of the Chicago Clearing House Association, presided over a conference of examiners and managers, while the bank auditors, who contemplate the formation of a national association, met on Oct. 1. Papers were read and discussions followed on topics of especial interest to the delegates.



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Silver Investigation to Aid Foreign Trade

SENATOR TASKER L. ODDIE, of Nevada, the chairman of the United States Senate Commission of Gold and Silver Inquiry, recently expressed confidence that the investigation being made by the commission to ascertain what the effects of fluctuating exchanges have on American foreign trade would result in "establishing sounder fundamental currency and financial conditions which will be reflected in permanent benefits and safeguards to our foreign trade and especially to the agricultural and livestock industries."

Discussing the prospective return of the world to a gold standard, Senator Oddie said:

"In addition to the problem of fluctuations and depreciation, the question of a return to the gold standard involves the United States in a very close way. The United States now has more than one-half of the total monetary gold in the world and more than twice the amount of gold held in 1913. A return to the gold standard is an event which will inevitably take place sooner or later. Signs of improvement are already in evidence in some of the European countries, such as Sweden, Austria and Czechoslovakia.

"ALTHOUGH a restoration of the gold standard is extremely desirable as contributing to a return to stability and normal conditions, such a restoration has its responsibilities, and since the United States has such a large share of the world's

monetary gold, the act of returning will necessarily affect this country. When the countries commence going back to the gold standard, a redistribution of gold will be necessary and the United States must lose a very large portion of the gold it now has. The United States should be prepared for this event, so that the gold can be exported with as little inconvenience and disturbance to business as possible.

"Relations of the United States to the whole problem of foreign currencies and exchange are thus very intimate and necessitate a detailed knowledge of financial conditions and developments abroad. Since the fortunes of the United States are so closely tied up with the foreign currency and financial situation abroad, including the return to the gold standard, it is essential that the United States understand the situation and that the people of this country be provided with information which will enable them to adjust their affairs to the changing conditions.

"THE problem of currency and foreign exchange is, as the banker knows from experience, an extremely intricate one, and the factors involved are so technical and complicated that only intensive analysis and investigation can yield results of value. With this in mind, and realizing the importance of the subject, the commission has undertaken a comprehensive investigation of the status of the leading currencies of the world for the purpose of obtaining re-

liable information as to the effect of depreciating and fluctuating currencies upon American trade and industry and for the purpose of providing the American public with information which will be of service in understanding better present international financial conditions. The investigation also will determine as far as possible the lines along which reform must come if it is to be sound and of permanent value."

National Bank Act

(Continued from page 290)

remain designed to protect stockholders and depositors from the acts of unwary or malicious bankers, rather than to undertake to furnish banks a wider field of possible profit.

Instead of amending the national bank act to permit the making of real estate loans on a broader scale, I think we should amend it to give the comptroller permission to refuse applications arbitrarily where, in his judgment, a new bank is not needed, and that his powers be broadened to the place where, when he finds existing national banks unable to operate at a profit and crying out for expedients of one kind and another, to enable them to continue to exist, he should be furnished with some remedy within the law to enable him to legally proceed in a manner calculated to protect all concerned, including stockholders, from the collapse that is apt ultimately to follow.

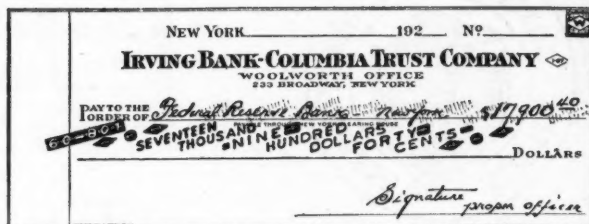
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Greetings from Canadian Bankers



Presidents of the Two North American Bankers Associations Photographed Together—Walter W. Head, President of the American Bankers Association, with Sir John Aird, President, Canadian Bankers Association, on His Left

Wanted — Man to invest some money and take charge of a small country bank in the State of Washington. Unusual opportunity for right man. Address W. C. care American Bankers Association Journal, N. Y. City.

Canadian Bankers Association not only to take back with him an expression of our good will and fellowship to the Canadian bankers but to the Canadian people as well," Mr. Head said in response. "They are our brothers and the only difference that distinguishes the people in the northern part of North America from the part we occupy is an imaginary line running 3000 miles from the Atlantic Ocean to the Pacific Ocean, and as the years go by we hope that we will get better acquainted with them and they with us, in the belief that a closer acquaintanceship and a better acquaintanceship will bring about a better understanding in the further belief that we will find that their efforts and their desires and their wishes will be in conformity with the things that we ourselves are desirous of doing."

The Determining Equation

IT would appear that the determining equation of our money markets in the coming months will be found in international finance. There can be entertained, however, a reservation as to the immediate effect of all that takes place. Some people have concluded that foreign loans, even if they are only in moderate amounts, will alone be sufficient to bring about such a change in conditions, and such a degree of improvement in the exchanges, that Europe will soon be attracting back to itself our surplus gold. That is too much to look for at once. Credit advances to foreign markets will in all probability diminish the westward flow of the metal, but without any present indication of the extent of foreign credit demands, or without knowledge of the extent to which American creditors are prepared to go in making loans, it is extremely hazardous to predict any early turn of the tide that has directed gold toward American shores with hardly an interruption for the past four years.—Mechanics & Metals National Bank of New York, October letter.

AN appeal for the continuation of cordial relations between the American and Canadian bankers was bespoken at the outset of the Chicago convention when Sir John Aird, President of the Canadian Bankers Association, was presented to the assembled bankers.

"The relations between the American Bankers Association and the Canadian Bankers Association have been very friendly," said Sir John. "We have our committees that study the financial questions and the trade and commercial questions between the two countries. Our relations financially have been quite satisfactory. Probably from a selfish standpoint on the part of the Canadian Association, I might say that we felt that it was in our interest and the interests of our country to be associated with the powerful nation like the United States, and particularly so in regard to the great financial strength which has come to your country during the last few years. I would only wish, Mr. Chairman, that the trade and commercial relations between the two coun-

tries were as satisfactory as the financial relations. That, as you probably know, and as the Canadian people know, is not a question for bankers but one for our politicians, and it is dangerous, as Mr. Head will know, for bankers to interfere very much in political affairs.

"There are many things in common with the two associations. The Canadian banking system is probably known by a great many of you bankers. It is based largely on this plan that was originally outlined by that financial genius, Alexander Hamilton. It is commonly supposed that the Canadian banking system is based on the Scottish system. It is to some extent, but we are free to admit that that plan originated in the mind of the great American.

"Your country is such a great one that sometimes we think you neglect educating yourselves better in regard to the northern part of the North American continent. I extend to you a cordial invitation to visit us. We have a great country.

"I would like to ask the president of the

